



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

## **Y Pwyllgor Cyfrifon Cyhoeddus** **The Public Accounts Committee**

**Dydd Mawrth, 22 Mai 2012**  
**Tuesday, 22 May 2012**

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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'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Lindsay Whittle	Plaid Cymru The Party of Wales

**Eraill yn bresennol  
Others in attendance**

Katrina Febry	Swyddfa Archwilio Cymru Wales Audit Office
David Rees	Swyddfa Archwilio Cymru Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol  
National Assembly for Wales officials in attendance**

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch Gynghorydd Cyfreithiol Senior Legal Adviser
Tom Jackson	Clerc Clerk

*Dechreuodd y cyfarfod am 9.08 a.m.*

*The meeting began at 9.08 a.m.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon  
Introductions, Apologies and Substitutions**

[1] **Darren Millar:** Good morning, everyone, and welcome to today's meeting of the Public Accounts Committee. I remind everyone that the National Assembly for Wales is a bilingual institution and that translation is available. Headsets are available for both translation and sound amplification on channel 1 and channel 0 respectively. I remind everyone to turn off their mobile phones, BlackBerrys and pagers because they can interfere with the broadcasting and other equipment. In the event of an emergency, the ushers will guide us to the nearest appropriate exit.

[2] I have not received any apologies for today's meeting; we have a full house. So,

without further ado, we will move straight on to the next item on the agenda.

9.09 a.m.

**Sesiwn Frifffio gan Archwilydd Cyffredinol Cymru ar Adroddiad Swyddfa  
Archwilio Cymru ‘Menter Twyll Genedlaethol 2010-11: Sicrhau’r defnydd  
cywir o arian cyhoeddus’**

**Briefing from the Auditor General for Wales on the Wales Audit Office  
Report ‘National Fraud Initiative 2010-11: Ensuring the proper use of public  
funds’**

[3] **Darren Millar:** I am delighted to welcome the Auditor General for Wales, Huw Vaughan Thomas, and David Rees and Katrina Febry from the Wales Audit Office. They are here today to talk us through the paper, before we go into questions from Members. So, Huw, it is over to you.

[4] **Mr H. Thomas:** I am delighted to be able to present to the committee our latest report on the national fraud initiative exercise in Wales. Just to put the report in context, the National Fraud Authority estimated that fraud against central and local government and the NHS across the UK costs in the region of £6.3 billion per annum. If just 5% relates to Wales, which is the normal extrapolation, we are looking at something like £300 million a year, which is money that could be used to fund patient care, educate pupils or provide care for the elderly. So, at a time when budgets are under severe pressure, every effort is needed to eliminate waste from the system caused by fraud, to hold those who would seek to defraud the public services to account and, by so doing, to be preventive by sending warning messages.

[5] The national fraud initiative, which we run every two years, is an important tool in the fight against fraud. Essentially, it works on the basis of data matching to identify potential fraud. As the report shows in the case studies, it is highly effective in detecting and preventing fraud and overpayments. The graph on page 9 shows that, every time we run the exercise, we are uncovering more, so we are gaining. This is because we involve more organisations each time we run the exercise, and the more organisations that take part, the greater the potential for data matching. This report identifies that £6 million of fraud and overpayments has been identified in Wales as a result of this exercise. It is not a straight comparison, because there are more bodies engaged in that exercise, but that £6 million should be compared with the £11 million that was identified in Northern Ireland, so there is clearly more that can be done in Wales to uncover fraud.

[6] The exercise is a success because of the way in which officers of public bodies across Wales work collaboratively to review and investigate the data matches that are thrown up and then to rigorously pursue action against those who have been found to have been involved in fraudulent activities. Some of the examples involved two councils working together on cases that were identified. This is a success because of everyone who is engaged—my staff as well as the staff of other public bodies in Wales. On that note, I would like to hand over to David Rees and Kate, who will provide details on what the latest NFI exercise found and, importantly, our plans for developing the NFI in future.

[7] **Mr Rees:** I am aware that I attended the committee two years ago to present the last NFI exercise. Many of the committee members today were not on this committee then, so, to provide a brief introduction, NFI is about using technology to identify fraudulent transactions against the public sector in Wales. It is a data-matching tool that collects data from numerous organisations. In fact, there are now almost 1,300 organisations that contribute data to NFI. Among those organisations, there are 43 Welsh public bodies supplying information. They include the Welsh Government, local authorities, NHS bodies, the Wales Audit Office and

Cardiff University. The tool matches data to enable those participants to identify anomalies that might be due to fraud or error. It is a massive exercise. The matching having been carried out, somewhere in the region of 4.6 million matches were identified. The matches then need to be reviewed and investigated. To date, since NFI started—and it runs across the UK—just short of £1 billion-worth of fraud has been identified, so it is a very large exercise.

9.15 a.m.

[8] To give you an idea of some of the overall findings, in the last exercise in Wales, £6 million-worth of fraud or overpayments were identified, which compares with £4.5 million in the previous exercise; 54 individuals were prosecuted for fraud, which is an increase from 28 in the previous exercise; 104 other types of sanctions, such as local authority cautions, were imposed, compared with 69 previously; 2,016 illegitimate claims for single person council tax discounts were cancelled; 1,135 blue badges that were still in circulation after the holder had died were cancelled; 17 payments to pensioners who had deceased were stopped—those pensions had remained in payment for some time after the individual had died—and 5,522 concessionary travel permits were cancelled. Again, these were travel permits that had been issued to individuals entitled to those permits and the permit holder had died, but those permits had remained in circulation.

[9] To give you a feel for the types of things that the NFI can identify, it can identify individuals claiming housing benefit from several different local authorities; it can identify pensions remaining in payment after an individual has died; it can identify public sector employees who have no right to be working in the country but who have been employed by public bodies, and it can identify blue badges and concessionary travel permits that are in circulation after the holder has deceased. It can identify where public sector employees are employed full-time by more than one public body, and has identified several examples of this. Generally, what happens is that someone will be off on sick leave from one body and will be being paid sick leave while being employed by another public body at the same time. It can also identify the fraudulent use of identity documents. Those are just a handful of the types of things that can be identified through the NFI.

[10] In terms of the NFI going forward—we run this exercise every two years and the findings have been excellent in this last exercise—we want to continue to develop and progress the NFI. Fraudsters do not stand still; they get more and more—I do not like to use the word ‘innovative’; ‘cunning’ perhaps is a better word to use. They are always developing new ways to commit fraud, and, therefore, if the NFI is to continue its success, it has to develop and keep ahead of the game. We are looking to continue to develop the NFI going forward and we are looking to do that in a number of ways. The amount of data in the NFI helps to make the exercise a success. The more information we have available to match, the more anomalies we can identify and the more fraud is detected, which means the number of participants is crucial. At the moment, as I mentioned, we have 43 participants in Wales and we would like to increase participation from Welsh public bodies. At the moment, the participation of local authorities and NHS bodies is mandatory, but there are many other public bodies that could participate on a voluntary basis and are invited to do so. We will be looking to demonstrate the benefit of the NFI to some of those voluntary participants and we hope that we can extend the NFI to a number of those. We also invite private sector bodies to participate.

[11] We are also looking to develop the NFI into new areas. What we would like to see is other areas that are susceptible to fraud, and information relating to those, being brought in. We are looking at a few specific areas for the next exercise. I will mention just three. Clearly, student finance is an area where there is a considerable risk of fraud, particularly in the light of changes to the student finance system and new top-up grants becoming available from October. That is an area where we are currently looking at the possibility of data-matching.

One area that I sometimes wonder why we did not think of before, but which we are looking to bring in in the next exercise—I mentioned that we matched pension payments to deceased persons—is housing benefit payments to deceased persons, which we have never matched. We are looking to extend the NFI in the next exercise and introduce that match.

[12] A further match we are looking to introduce in the next exercise is around social housing. Clearly, across the UK, there is a shortage of social housing, and the waiting lists are very long. It is the case that a number of people on social housing waiting lists are not entitled to be on those lists. So, we are looking to match social housing lists with a number of other data sets to identify the people who are on the waiting lists of several different authorities, who already may be housed elsewhere and who are therefore looking to obtain another unit of social housing to enable them to sublet that property. That is another area that we are looking at specifically.

[13] NFIs run every two years, which means that we are using historic data. In using those data, we tend to identify fraud that is already being committed. Obviously, it would be much more beneficial and productive to stop fraud before it takes place. A major development in NFI that we are looking to introduce in the next exercise is something called point-of-application matching. So, in addition to looking at and matching historic data sets, participants will be able to match data when an application for a benefit is made. So, when someone makes an application for unemployment benefit, housing benefit or any other benefit, participants will be able to match the data at that stage, before the benefit is granted. That will enable us to prevent the fraud from taking place, before any payments are made. Once payments have been made, recovery can be very difficult and the investigative process can be extended as a result. However, if the claims are stopped before payments are made, that will be of great benefit to the public sector. The next exercise is due to start in October 2012, when we will be looking to download data from participants, and the matches will be released to participants in early spring 2013. At that point, I will stop and I am happy to answer any questions.

[14] **Darren Millar:** Thank you very much indeed. I thought that the report was very interesting, particularly the individual cases that were uncovered. In your opening remarks, auditor general, you mentioned a figure of around £300 million as the estimated annual cost of fraud in Wales. Just £6 million-worth of fraud has been identified through this. We are just scratching the surface, are we not?

[15] **Mr H. Thomas:** Yes. You have to take that with caution, as I have just extrapolated £300 million on a 5% basis, but, yes, and that is why I highlighted Northern Ireland. With the involvement of all of the central departments of Government and a greater participation by public bodies, you increase the amount of fraud that you can unearth. Northern Ireland has a population of around 2.2 million, so, with £11 million-worth of fraud and overpayments identified, clearly, a higher level of fraud is being identified there.

[16] **Darren Millar:** That is notwithstanding the fact that you have increased the detection rates over the past few years, which is excellent. Given that it has been so successful and that, each time you run the exercise, it identifies more and more fraud and there are greater savings to the public purse, why do we only do this biennially rather than annually?

[17] **Mr Rees:** The answer to that is simply the scale of the exercise. It is a huge exercise; so many data matches need to be reviewed and investigated that takes the full two years for participants to go through and review the matches and to carry out the investigations. If we did it more frequently on a full-exercise basis, we would be starting the next exercise while the investigations for the previous exercise were only partly progressed.

[18] The introduction of point-of-application matches should help to address that difficulty

because that does not involve carrying out a full exercise on a periodic basis. It is possible then to match on an individual transaction basis using current data.

[19] **Julie Morgan:** Over this period, these exercises have led to a number of prosecutions. Were the decisions to prosecute made with the involvement of the police in every case, or did the individual public bodies involved take a line on what was happening?

[20] **Mr Rees:** The decision on whether charges should be brought is made by the police or counter-fraud service in the NHS in conjunction with the Crown Prosecution Service. However, different authorities have slightly different policies on what will be referred to the police for investigation. We encourage all public bodies to take a rigorous line on taking action. Public bodies tend to draw up policies on how they will determine when to take action. There is an element of discretion that is operated by individual bodies. While they have those policies, issues such as illness and age are sometimes considered by public bodies in determining whether to refer matters to the police or counter-fraud services for investigation.

[21] **Mr H. Thomas:** The cases that we include in the report show a variety of approaches that authorities have taken.

[22] **Lindsay Whittle:** The examples that you highlighted are all headline catchers, and everybody agrees that they are good examples. May I be forgiven for saying that you are targeting people who are on benefits, by and large? Are there any examples where you have targeted big business, where the level of fraud would perhaps be greater?

[23] **Mr H. Thomas:** We are looking at people who are claiming public funds and, by definition, perhaps, that will involve a greater number of people on benefits. Equally, the report considers those who are claiming a single-person discount on their council tax, and so it is not restricted to a particular market. We encourage private sector organisations to be involved in matching, and that would identify fraud committed against them. This is not an exercise that looks at the wider commercial issue of fraud.

[24] **Lindsay Whittle:** I see. Do you involve the Inland Revenue at all?

[25] **Mr Rees:** The national fraud initiative is run under the auditor general's statutory powers, and it specifically relates to carrying out data-matching exercises to prevent and detect fraud in relation to public bodies in Wales rather than in the private sector per se. As that is the case, it involves looking at individuals who are claiming for services or benefits provided by the public sector. One point that I should make is that the initiative is not targeting people who claim benefits; it is targeting those who are illegitimately claiming benefits to which they are not entitled.

[26] Currently, HM Revenue and Customs does not provide data for use in the national fraud initiative. We would obviously like to obtain as many data sets as possible to carry out matches. As the NFI is carried out across the UK, we would like to encourage more central Government departments to provide their data, because that makes the potential success of the NFI so much greater. As the UK Government is looking to find a new home for the NFI in England, we are hopeful that if the initiative is homed in a central Government department in England, it may result in more central Government departments providing their data.

[27] **Lindsay Whittle:** Do you think that the current approach leads to big savings, with 50 people across the whole of Wales being prosecuted? That is hardly a major outcry.

9.30 a.m.

[28] **Mr H. Thomas:** There is also the bit that you cannot quantify. By doing this exercise, we are sending deterrent messages. In the example quoted of the authority that had a number of access claims by students, that would have received a degree of publicity in the area, which would have had good deterrent value. So, yes, we can identify the amounts of fraud and overpayments, and £6 million is not a sum that one should simply ignore, but, as we said, there is potential to identify more fraud as a result of this exercise, as we grow it, and there is also the element of saying to people that we do actually monitor this.

[29] **Darren Millar:** I want to pick up on a point that Lindsay made, on the opportunities for businesses to commit fraud against the public sector, for example by duplicating invoices or whatever they might be able to come up with. There is an opportunity to extend the scope of the initiative, for example to investigate bogus grant claims and other such things that could have a significant impact on the public purse.

[30] **Mr Rees:** Absolutely, there is that potential. The NFI does currently look at duplicate invoicing, and there have been a number of matches in those areas over a number of exercises. There is absolutely the potential to extend that to look at businesses that provide services to the public sector. For example, I would very much like to extend NFI to look at primary care in the NHS, at the services provided by primary care practitioners. There have been a number of individual examples in the media of frauds carried out in those areas, which can involve substantial sums of money. NFI is evolving and developing over time, and we have to think about what level of development is manageable in any period of time. However, that is certainly an area that we need to develop further.

[31] **Aled Roberts:** If we are developing this deterrent effect, does that not apply in the same way to the businesses that are defrauding authorities? I am not aware of one case study that involves a business that has been defrauding; they all involve individuals who, in the main, as Lindsay pointed out, are receiving benefit. I am aware, from a previous role, of instances of companies that were defrauding a particular authority by much more than the £80,000 that students were, and yet there is no mention of that in the case study report.

[32] **Mr H. Thomas:** There is a particular one. Case study 14 is not an overpayment to any individual but to an organisation. So, it is not just an individual-focused report. As we have said, we are looking at the incidence of fraud and overpayments against the public sector.

[33] **Aled Roberts:** I was coming to that case study. It is referred to as an initiative, but a lot of this is perhaps more indicative of not having joined-up working practices. I went with my wife to report the death of my father-in-law three weeks ago, and I was a bit taken aback that you are given the option of reporting the death to other authorities, including other council departments. So, in relation to case study 14, members of the individual's family presumably reported the death to Rhondda Cynon Taf County Borough Council, and yet another department in the council was paying the fees to the care home. Is it not time that, rather than talking about these things as major initiatives, we accepted that it is about a lack of joined-up thinking between public bodies?

[34] **Mr Rees:** I agree absolutely with that statement. One of the benefits of NFI is that, when these issues are identified, you can often look back at the procedures, the controls and at how joined up things have been. What we try to do is report back to the authorities what we find and point out where this represents procedural weaknesses that need to be tightened up and improved upon to avoid these things occurring going forward. We have to identify them, but it is not simply a question of these things occurring and our having to accept that. It is about improving the arrangements as well.

[35] **Jenny Rathbone:** One of our public bodies is the office of the registrar of births,

deaths and marriages. Has anyone considered commissioning it to send e-mails to all relevant bodies, rather than leaving it to the deceased's family, who will have other things on their mind initially? If it were paid an additional sum, it could automatically send an e-mail to the blue disabled badge department and all the rest of them. That, surely, would be a way of eliminating one element of fraud at a stroke.

[36] **Darren Millar:** A national scheme is now operating in Wales whereby you supposedly make one call to report a death. Is that the scheme that you were referring to?

[37] **Aled Roberts:** That is the scheme, but you do not make one call. At the point of a relative's death, you are given the option. I was asking why it would be optional. We were asked whether we wanted to hand over the blue badge and the driving licence, and whether we wanted the Department for Work and Pensions to be informed of the death. To my mind, the point that Jenny made is a good idea. It would be a lot more sympathetic to the family members, who would not be faced with having to contact all these departments and, in one fell swoop, at the press of a button, the registrar would be informing all the relevant departments, if housing benefit or council tax benefit were being paid. I see it as a no-brainer.

[38] **Darren Millar:** Are you aware whether that is an initiative of the UK Government or of the Welsh Government?

[39] **Mr Rees:** I do not know.

[40] **Mr H. Thomas:** We will have to check that. I assume—no, I will not assume. We will find out.

[41] **Mohammad Asghar:** Thank you very much for the wonderful information that you have given to us. The equivalent of our five-year budget is being wasted on fraud in this country, by which I mean the United Kingdom—£73 billion. That is an unbelievable figure. The mind boggles. It is minor in Wales, but it is still there. I have been listening carefully to what you have said about all these things, but I am now talking about the cost and the savings. The level of fraud identified in Wales appears to be lower in proportion to our population than in the United Kingdom as a whole. During the course of the national fraud initiative exercise, were you aware of any significant variation in the levels of fraud identified across different regions of the United Kingdom? Do you have any immediate explanation for such variation?

[42] **Mr Rees:** There is variation across the UK, and there are a number of reasons for that. For example, it was mentioned a few moments ago that Northern Ireland identifies a lot more fraud, proportionately. I think the reason for that is that Northern Ireland has managed to get a number of Government agencies to provide data. So, driving licensing and social security agencies in Northern Ireland are included in the NFI. That means that they can carry out a lot more matches as they have a lot more information, and that is having an impact on the fraud that is identified.

[43] It is difficult to quantify this, but there is a specific issue in England, namely that there has traditionally been very high levels of fraud in the London boroughs. A lot of organised crime has been operating in those areas, which has skewed the figures for English bodies. So, in England and Northern Ireland, the figures show more fraud being detected. Those are some of the reasons. I am not going to claim that they are all of the reasons. However, they are certainly contributory factors.

[44] **Mohammad Asghar:** I personally think about the money that is being wasted on this. Fraud is a criminal offence anyway, and can involve misappropriation or something else from the public sector. However, I think that a small number of newly retired police officers will do a better job, together with your department, of getting this money back to the Treasury

rather than anything else. That is what I am thinking: for money to be saved, you have to have retired police officers to help you on this. The word 'fraud' carries a big weight behind it. When you are talking about England and Wales, Wales is a very small country. The fact is, if you are talking about the figure—I am really staggered by this figure of £73 billion; it is mind-boggling—we have to do something about it.

[45] **Lindsay Whittle:** We certainly have a lot of retired police officers in Wales.

[46] **Darren Millar:** This is an interesting point, is it not? What proportion of prosecutions lead to a recovery of overpayments, for example?

[47] **Ms Febry:** Of the cases that I reviewed in this exercise, the vast majority of matches that were identified as fraud led to the recovery of the overpayments. In terms of the cases that led to a prosecution, in pretty much all of them there has been a recovery of the overpayment.

[48] **Darren Millar:** I will bring in Lindsay, because we need to move on.

[49] **Lindsay Whittle:** You mentioned at the start that 43 organisations in Wales now contribute to this exercise.

[50] **Mr Rees:** That is 43 public sector bodies—there are private sector bodies contributing as well.

[51] **Lindsay Whittle:** Right, so there are even more. What is the cost of all of that? I assume that it is not more than £6 million, because it would not be wise to spend £10 million to save £6 million, would it?

[52] **Mr Rees:** There are of course two elements to this: one that we can quantify and the other that is much more difficult to quantify. The actual cost of administering the exercise, doing all the data matching and the follow up, comes to £118,000. That is the cost to the auditor general, which is then passed on to the participants. There is of course another cost, which is the cost to the public bodies in reviewing and investigating those matches. It is not possible to quantify that precisely, for the simple reason that most people working, reviewing and investigating the matches within the public bodies do not do that as their day job; this is a role that they are carrying out as part of their standard duties. Short of everybody completing time sheets and putting the national fraud initiative down on them, we cannot say exactly how much time that is taking. However, we do not underestimate that a substantial contribution is being made.

[53] **Darren Millar:** Is there a net saving as a result of the work?

[54] **Mr Rees:** Yes.

[55] **Mr H. Thomas:** I should just say that we are focusing on Wales, but of course the way in which we work the NFI requires us to work on a UK basis, bringing in bodies that are outside Wales. Also, we have talked about where we have identified fraud, and if you notice, page 21 of the report details a case where, anecdotally, it had been thought that there might be fraud, but by checking with the insurance records, we have been able to say that it does not look as if there is a systematic issue. This is done on the basis of testing hypotheses, and possibly disproving them as well as proving them.

[56] **Mike Hedges:** Briefly, what has happened has been very successful, but surely good practice in local authorities could deal with a lot of this, and we would not need the NFI if there was a good practice sheet or advice note available for local authorities, telling them

about matching. Births, marriages and deaths are dealt with by local authorities. On a personal note, when my father died, I ended up throwing away his driving licence, and I might even still have his disabled parking permit, because no-one ever asked me to return them. I have probably thrown them away. Is there not some sort of good practice advice note that could go out to local authorities? If organisations were joined up and did things properly, they could solve a lot of the fraud that you have found in here.

9.45 a.m.

[57] **Mr Rees:** There are different elements in terms of the question that you ask. It is certainly right that public bodies need to ensure, procedurally, that they put in place what is necessary to avoid those frauds taking place in the first place. I think that they are getting better at doing it, and a number of new initiatives have been introduced, particularly around things such as tightening up on blue badges and concessionary travel permits.

[58] Individual bodies probably cannot do the matching that NFI can do across the public bodies. So, it is not simply about ensuring that you have good control internally. You cannot know, for example, that an individual has made housing benefit claims at three or four other authorities; that can only be done by looking on a holistic basis across authorities. So, I think that it is about a mixture of the two things: there is a need to have a holistic approach to that and a need for individual participants to improve their arrangements. I think that things are moving forward. We provide a lot of advice and guidance with NFI itself. The web tool contains guidance for individual bodies in relation to the areas that we are matching.

[59] **Gwyn R. Price:** In your report you stated that you would welcome the voluntary participation of housing associations in the future NFI exercises. How can the voluntary participation of housing associations be best encouraged and facilitated? Is there a role for the Welsh Government and local authorities in that? Touching on what Mike was saying, and as Aled was saying earlier, I think that local authorities could be more joined up.

[60] **Ms Febry:** Absolutely. We would like as many public sector bodies to participate as possible, as we said earlier, and especially the housing associations as the social housing data that they have could add to the housing data that we have already from local authorities. So, we could match social housing data sets with other social housing data sets to identify where people have two houses and may possibly be sub-letting a second house. We are currently consulting on the next exercise and we will be writing to potential voluntary participants to ask them to join the exercise. However, any help from the Assembly would be welcomed.

[61] **Mr Rees:** The first element to it is obviously from our own end. To participate, participants need to realise and know what the benefits of participation are. So, we have a job to do in the first place to ensure that they have the information that they need and to demonstrate the benefits that they could obtain. So, in the first place, we have to do what we need to do. Clearly it would be helpful, as Kate says, if there were encouragement for other public bodies to participate.

[62] Housing associations are one type of body that we believe could benefit, but there are others. A number of the larger Welsh Government sponsored bodies may well benefit from the exercise, as would the university sector. Cardiff University already participates, but it is the only university that currently does so. So, there is a lot of potential to extend NFI to other public bodies in Wales and, working in collaboration, I hope that that will happen going forward.

[63] **Aled Roberts:** Rydych wedi dweud **Aled Roberts:** You have said that it is ei bod yn orfodol i awdurdodau lleol a'r mandatory for local authorities and the health gwasanaeth iechyd gymryd rhan yn y fenter. service to take part in the initiative. Is there

A oes unrhyw beth yn gwahardd y Llywodraeth rhag dweud wrth y cymdeithasau tai, neu wrth fudiadau sy'n cael grantiau gan y Llywodraeth, bod rhaid iddynt gymryd rhan yn y fenter os ydynt eisiau cael arian cyhoeddus? anything to prevent the Government from telling the housing associations, or organisations that receive grants from the Government, that they have to participate in the initiative if they want to receive public money?

[64] **Mr Rees:** The mandatory participation of NHS bodies and local authorities is set out in the Public Audit (Wales) Act 2004. Adding additional public bodies would require an amendment to the Act to specify the mandatory participation of those other bodies. So, yes, it would be possible to do it, but it would have to be done through the legislation.

[65] **Aled Roberts:** Mae gennym Fil ar hyn o bryd. **Aled Roberts:** We have a Bill at the moment.

[66] **Mr H. Thomas:** Oes. **Mr H. Thomas:** Yes, we do.

[67] **Jenny Rathbone:** A constituent of mine, some four or five years ago, was convicted of a £250 million VAT carousel fraud. So, obviously, everything that you do looks like small beer in comparison with that. I am therefore particularly concerned that HM Revenue and Customs is not involved in this, because that is obviously where a huge amount of fraud is potentially going on. What sort of things do you do to encourage public bodies to get involved? For example, health boards have a contract with general practitioners' surgeries, which are private bodies. Do you write to the boards of universities informing them that Cardiff University is part of a certain initiative and asking why x, y or z university does not get involved? It is possible that those on the boards of universities are not aware that Cardiff is involved and they are not.

[68] **Mr Rees:** We need to be more proactive than we have been in the past in terms of encouraging Welsh public bodies to participate. We have written to them, but I think that, sometimes, letters do not necessarily reach the right people and, unless people can see something in practice, and see presentations and demonstrations of the tool, it is very difficult for them conceptually to understand the benefits that they would obtain. So, we need to be much more proactive in that encouragement.

[69] In relation to central Government departments in England, there has been a lot of effort over the years to try to encourage some of those central Government departments to participate in the national fraud initiative. Slowly, that seems to have had an effect and some have now taken part. At this point in time, HMRC, for example, has not committed to doing so. As we have already discussed, we are hopeful that, with the changes that have taken place in England with the demise of the Audit Commission, the possibility of NFI being located in England within a central Government department may provide the opportunity for central Government departments to participate. The power of that, if they did so, with the data sets that are held within central Government, would have a dramatic impact on the values of the fraud identified. I agree that, although £6 million is a good contribution, in the context of the total fraud that is out there, it is a drop in the ocean. So, we recognise that, but there is huge potential.

[70] **Darren Millar:** In terms of the participation of the private and voluntary sectors, you mentioned that there might be a need to legislate for further engagement, but surely contractual obligations might require it. If they have a contract with the Welsh Government or any other public body to deliver a service or provide goods, then could it not just be an obligation within the legal contract? Contractual obligations are very straightforward and easy to introduce, are they not?

[71] **Mr Rees:** In theory, it could be done in terms of contractual arrangements to require them to provide data for an exercise; likewise, for grant funding.

[72] **Darren Millar:** So, for a housing association, for example, in order for it to access the capital that it wants from the Welsh Government to be able to invest it in its new housing stock or whatever, there could be a contractual requirement to participate across the board in the national fraud initiative. There is nothing stopping—

[73] **Mr Rees:** There is nothing stopping that taking place. The only caveat that I place on it is that the national fraud initiative operates strictly within the provisions of the Data Protection Act 1998. So, if the data that were being provided included personal details, which they might in relation to individual grant recipients, there would be a need to ensure that fair processing notices under the Data Protection Act 1998 were issued by those suppliers to the Welsh Government.

[74] **Mr H. Thomas:** If it is done under legislation, it becomes a clearer message.

[75] **Mike Hedges:** Under the Data Protection Act 1998, surely all that they would have to do is register that under the purposes. Everywhere I go people seem to throw the Data Protection Act 1998 as a reason why things cannot be done. They could register a purpose, which would probably be accepted by a registrar, which would then be eligible in terms of all the information going through, would it not?

[76] **Mr Rees:** Absolutely. As long as the fair processing notices were issued, in advance of the matching taking place, that would deal with that issue.

[77] **Julie Morgan:** You have already mentioned the abolition of the Audit Commission; I think that you said that there might be some advantage if the NFI was based in a Government department. Could you comment more on that? Are there any disadvantages now, in relation to NFI, of the Audit Commission being abolished?

[78] **Mr H. Thomas:** I think there is an identified advantage if it is moved to a central Government department. We are still no clearer as to where the home will be for the NFI in future. It was not included in the outline draft legislation that we saw from the Department for Communities and Local Government recently. The possibilities at present seem to be either the National Fraud Authority, or the Department for Work and Pensions, which is particularly interested, given its responsibilities for a large swathe of the benefits system. No further news has come. Certainly, anything that brings in greater involvement by the main Government departments, including HM Revenue and Customs, would be a decided advantage.

[79] **Julie Morgan:** Does the actual change cause any problems, in terms of the transfer?

[80] **Mr Rees:** There are potential problems, which we worry about slightly. The National Fraud Authority would sit within the Home Office, so if it was go to the Home Office or the DWP, they are clearly very big organisations, and there is a danger of NFI almost being swamped and subsumed and the impetus lost. That would be our concern. There are potential opportunities and advantages; if it went into the DWP, the DWP itself has huge resources in terms of data-matching potential and a huge number of data sets, which could be built into the NFI. So, the opportunity for new matches would be tremendous. Likewise, having the NFI hosted by the Home Office would give it the strategic focus that is, perhaps, needed.

[81] **Darren Millar:** On that note, we will close this part of the meeting. Thank you, David and Katrina, for your help this morning. I assume, Huw, that you are going to stay at the table for our next item. We will move swiftly on to that now.

10.00 a.m.

**Cyngor gan Archwilydd Cyffredinol Cymru ar Ymateb Llywodraeth Cymru  
i Arlwyo a Maeth Cleifion mewn Ysbytai  
Advice from the Auditor General for Wales on the Welsh Government's  
Response to Hospital Catering and Patient Nutrition**

[82] **Darren Millar:** Members will see that we have had a written response from the auditor general. Do you want to talk us through the background to your response, auditor general?

[83] **Mr H. Thomas:** I think that it is self-explanatory. I would not want to re-read it to you.

[84] **Darren Millar:** I am not asking for that at all, but is there anything further that you would like to add?

[85] **Mr H. Thomas:** Nothing further, no.

[86] **Darren Millar:** If Members are content, I suggest that we write to the Minister picking up on some of the points in the auditor general's letter to ask for further information on the points that have been raised.

[87] **Aled Roberts:** May I raise one issue? I agree with the auditor general on recommendation 6. There is a requirement on local authorities that local food hygiene certificates be displayed at the point of entry. I checked at Wrexham Maelor Hospital on Sunday, and I was not able to see the certificate. It is probably on the back wall of the kitchen, given that I am aware of last year's rating. With a lot of these recommendations, Ministers require local authorities to do this, that and the other, but with this one, she has just requested that it is done, and has not said that it has to be put in a public space. I just think that we need to firm that up.

[88] **Darren Millar:** There is no legal obligation on local authorities either at the moment, but they are taking the issue seriously and trying to lead and show a good example. You are absolutely right to point that out. I have been visiting hospitals across the country in the course of my other role and you are right—I have yet to see a single one of these displayed, so it is an interesting point.

[89] **Ms Jackson:** Briefly, Members will be aware that the food hygiene rating Bill should be introduced before the end of the month, so there is the possibility of committee taking this forward when it scrutinises that Bill.

[90] **Darren Millar:** Within that Bill, the intention is that there will be a section placing a legal obligation on all public bodies to display these in the same way that private organisations will have to display them. If Members are content, we will write.

[91] **Julie Morgan:** On recommendation 1, I think that this is something that we all felt concerned about—the relatives knowing. I just wondered how we would be able to monitor that they do know, because it is about letting relatives know as much as its being said that they should be allowed to do it. Obviously, showcasing the best examples will be a good thing to do.

[92] **Darren Millar:** The Welsh Government accepted our recommendation 1, so first we could ask how it intends to monitor that; that would be a reasonable request. You are

absolutely right—these things are not straightforward. It is easy to accept a recommendation, but being able to audit that and follow up on the consequences is not always as easy as it might be. If Members are content, we will write, raising the points that the auditor general has suggested, and seek further information from the Government on the implementation of those recommendations that have been accepted.

10.03 a.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd**  
**Motion under Standing Order No. 17.42 to Resolve to Exclude the Public**

[93] **Darren Millar:** I move that

*the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).*

[94] I see that there are no objections.

*Derbyniwyd y cynnig.*  
*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.03 a.m.*  
*The public part of the meeting ended at 10.03 a.m.*