

EAST AYRSHIRE COUNCIL

CORPORATE GOVERNANCE COMMITTEE - 31 MARCH 2004

NATIONAL FRAUD INITIATIVE

Joint Report by the Director of Corporate Resources/Depute Chief Executive and Director of Finance

1 PURPOSE

- 1.1** To inform the Committee of a National Fraud Initiative in Scotland and related employee information.

2 BACKGROUND

- 2.1** The Director of Audit Strategy, Audit Scotland has advised Councils of their plan to involve Scottish Councils in a National Fraud Initiative 2004. The aim of the exercise will be to assist Councils with their statutory responsibility to make arrangements for the proper administration of their financial affairs. Data will be required to be provided by Councils under section 100 of the Local Government (Scotland) Act 1973 (the auditor's general powers of access in Scotland). Since Councils will not be volunteering the data for the exercise, data subjects' consent is not required. However, steps should be taken to ensure that data subjects are notified about the exercise.
- 2.2** Data matching is not a new procedure to local government. The prevention and detection of fraud is a duty of local government and professional bodies regularly urge local authorities to carry out data matching exercises to prevent fraud.
- 2.3** The Council also has a responsibility to help employees particularly in times of difficulty. To this end the Council offers all employees the opportunity to pay their Council Tax and/or Rent directly through payroll deductions, and a payroll deduction mandate is included within the starter pack for each new employee residing in East Ayrshire.
- 2.4** The Code of Conduct for Employees of East Ayrshire Council clearly sets out the rules around conflict of interest. There may be a number of posts within the Council where being in debt to the Council might represent a conflict of interest. Managers should be aware of these risk areas and take steps to ensure probity.

3 NATIONAL FRAUD INITIATIVE AND EMPLOYEE INFORMATION

- 3.1** As mentioned previously, because data for the NFI will require to be provided under section 100 of the Local Government (Scotland) Act 1973 it will not be necessary for Councils to obtain data subjects' consent in terms of the Data Protection Act. However, data should not be provided for the exercise unless

data subjects have been notified that their information will be used for this purpose. The Council will need to review the extent to which this will need to take place and take steps to inform data subjects, where necessary, at the earliest practical opportunity. An information report was tabled to the Local Government Employees' JCC as a first step in that process..

- 3.2** Audit Scotland recommend employees are advised of the exercise by including an appropriate notification with a future payslip. The following short form of notification to employees is therefore suggested for payslips:

“East Ayrshire Council has a duty to protect public funds. Information is provided to auditors under S100 of the Local Government (Scotland) Act 1973 and employee details can be compared with other information, including information provided by other public bodies, for the purpose of preventing and detecting fraud.”

- 3.3** Council tax and rent are two key sources of Council revenue and the Council has a responsibility to maximise its collection rates in these areas. Information from the National Fraud Initiative will be used to assist the Council in this regard.

The Council offers all employees the opportunity to pay their Council Tax and/or Rent directly through payroll deductions, and a payroll deduction mandate is included within the starter pack for each new employee residing in East Ayrshire. Any employee who has concerns in these areas is encouraged to contact either their departmental Personnel Officer or the Payments Manager.

- 3.4** It is further recommended that a fuller communication be issued to employees, for example, through staff newsletters. For these purposes a fuller statement will be developed for Eastwards and will include the following:

“East Ayrshire Council has a duty to protect the public funds it administers. To this end from time to time it may use information provided to it for the prevention and detection of fraud and share it with other bodies concerned with public funds solely for these purposes.

The Council **will** be participating in an anti-fraud initiative organised by Audit Scotland and being carried out under powers in section 100 of the Local Government (Scotland) Act 1973 and section 53 of the Local Government in Scotland Act 2003. Under this the Council will be required to provide details of employees to appointed auditors so that they can be compared with other information provided by the Council and by other public bodies to ensure that public funds are being paid only to persons who are entitled to them. For example, a comparison with housing benefit records to ensure that employment income is declared.

The Council recognises its responsibility to help employees particularly in times of difficulty. To this end the Council offers all employees the

opportunity to pay their Council Tax and/or Rent directly through payroll deductions, and a payroll deduction mandate is included within the starter pack for each new employee residing in East Ayrshire. Any employee who has concerns in these areas should contact their departmental Personnel Officer or the Council's Payments Manager for a confidential discussion.

While a key object of the exercise is the detection of fraud, similar exercises have uncovered underpayments and other errors, which were rectified. These exercises, therefore, help ensure the best use of public funds.”

- 3.5 The communication exercise will take place in May/June, both in terms of payslip distribution and Eastwords publication.
- 3.6 All new employees should be advised of this possible use of personal data. Personnel Services have advised that they will include an appropriate paragraph in the Summary of Main Terms and Conditions of Employment.
- 3.7 The Head of Personnel has already advised the Joint Consultative Committee (Local Government Employees) of the National Fraud Initiative.

4. RECOMMENDATION

- 4.1 The Committee are asked to note the National Fraud initiative and the council's related employee communications exercise.

Fiona Lees
Director of Corporate Resources/
Depute Chief Executive

Alex McPhee
Director of Finance

16 March 2004

BACKGROUND PAPERS

Nil

Anyone wishing further information should contact Graham Haugh, Head of Personnel on 01563 576092 or Alex McPhee, Director of Finance on 01563 576300