

EAST AYRSHIRE COUNCIL

CORPORATE GOVERNANCE COMMITTEE

28 SEPTEMBER 2006

NATIONAL FRAUD INITIATIVE

Report by Depute Chief Executive/Executive Director of Corporate Support

1. PURPOSE OF REPORT

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

2. BACKGROUND INFORMATION

- 2.1** The NFI in Scotland is Audit Scotland's data matching exercise that runs every two years in line with the Audit Commission's NFI timetable. The NFI is designed to help participating bodies to identify possible cases of fraud and detect and correct any consequential under or overpayments from the Public purse. NFI also helps auditors to satisfy their duties to assess bodies' arrangements for preventing, deterring and detecting fraud.
- 2.2** Audit Scotland's report on NFI 2004/05 identified £15 million of fraud and error and highlighted the main issues arising in Scotland. The Care of the NFI in Scotland is the matching of data to help reduce the level of housing benefit fraud, occupational pension fraud, payroll fraud and from 2006/08 tenancy fraud.
- 2.3** The Corporate Governance Committee at its meeting on 31 March 2004 noted the National Fraud Initiative and the Council's related employee communication exercise.

3. NATIONAL FRAUD INITIATIVE AND EMPLOYEE INFORMATION

- 3.1** In 2004/05 the NFI included information from all councils, police and fire boards and selected public bodies. Data matching involves comparing the extent to which computer records held by one body match against other records held by the same or another body. Computerised data matching techniques are used to search for duplicate or fraudulent claims made upon audited bodies. A supplying body receives a report identifying instances of matching data within that body's own records and between that body's records and those of other relevant bodies. It is for the supplying body itself to investigate the matches, to detect instances of fraud or underpayments and other errors and to update its records accordingly.
- 3.2** Benefit fraud amounting of £135,768; Benefit overpayment cases linked to students eligible for student loans of £14,531 and benefit overpayment cases linked to employees/pensioners employees of £86,596 were all identified within East Ayrshire Council under the NFI 2004/05 exercise. Seven employees made fraudulent claims which resulted in appropriate disciplining action being taken up to and including dismissal.

- 3.3** Audit Scotland have advised that the latest NFI in Scotland will take place during 2006/07. The data will be submitted to Audit Scotland by 30 September 2006 with the initial output available to participants on 29 January 2007. Thereafter the Council will require to process the data with progress returns to be submitted on 31 May 2007, 30 September 2007 and 15 January 2008.
- 3.4** Audit Scotland have recommended that similar to the last NFI exercise, council employees are advised of the exercise by including an appropriate notification in a future payslip. In addition, a fuller communication will be notified to employees in East Words. Employees have been advised of this possible use of personal data in the summary of Main Terms and Conditions document.
- 3.5** As data for the NFI will be required 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 Data.
- 3.6** To enable the Council to undertake the data matching exercise it is proposed to:-
- Establish a Working Group of representatives from Finance, Internal Audit and Personnel to oversee the whole exercise.
 - Ensure consistency of approach that a single disciplinary panel be established by the Head of Personnel which will deal with any disciplinary investigations and resulting disciplinary action that requires to be taken in respect of any employees' fraudulent claims identified through the NFI.
 - Submit a report to a future meeting of the Corporate Governance Committee of the outcome of the 2006/07 NFI exercise in respect of East Ayrshire Council.

4. FINANCIAL IMPLICATIONS

- 4.1** Any financial implications arising from undertaking the NFI exercise will be met from within existing budgets.

5. POLICY/LEGAL IMPLICATIONS

- 5.1** The proposals outlined in the report will enable the Council to provide the relevant data which is required under Section 100 of the Local Government (Scotland) Act 1973. They also meet the Continuous Improvement and Best Value principles contained in the Community Plan.

6. RECOMMENDATIONS

- 6.1** The Corporate Governance Committee is asked to agree that:
- (i) all employees should be advised of the forthcoming NFI exercise
 - (ii) a single disciplinary panel be established to deal with any disciplinary issues arising from the exercise;

- (iii) the results of the outcome of the 2006/07 NFI exercise be reported to a future meeting of the Corporate Governance Committee; and otherwise
- (iv) note the contents of the report.

Elizabeth Morton
Depute Chief Executive/Executive Director of Corporate Support
23 August 2006

LIST OF BACKGROUND PAPERS

1. Joint Report by the Director of Corporate Resources/Depute Chief Executive and the Director of Finance on the National Fraud Initiative to the Corporate Governance Committee of 31 March 2004.

Anyone wishing further information on this report should contact Martin Rose, Head of Personnel telephone 01563 576092.