

Public Audit and Post-Legislative Scrutiny Committee

National Fraud Initiative

Submission from Aberdeen City Council

The Aberdeen City Context

Aberdeen is a unique place in Scotland. Though the City has benefited from the prosperity brought by the oil and gas industry, now that the rest of the UK economy is recovering from recession, Aberdeen is experiencing a decline due to the drop in the price of oil. This is compounded by pressures on infrastructure, connectivity, housing and skills. The effects of this include job losses, falling property prices and loss of custom.

Despite this decline, Aberdeen City continues to make a significant exchequer contribution to Scotland and the UK and this is expected to continue into the future.

Through our Regional Economic Strategy the City / Region is continuing to support the oil & gas industry, but also taking a more sustainable, diversified approach by attracting non-oil business. The City Council is also leading the largest regeneration programme ever seen in Aberdeen to support vastly improved transport, connectivity and investment in the city centre.

The Council is committed to working in partnership, both with other organisations as well as directly with communities themselves, to support the people of Aberdeen to prosper, no matter their social circumstances. We want Aberdeen to be a city where there is equality of outcomes and opportunities for all irrespective of their circumstances.

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Call for evidence on the Section 97 Criminal Justice & Licensing (Scotland) Act 2010 National Fraud Initiative – Post Legislative Scrutiny

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

Answer – The Criminal Justice and Licensing (Scotland) Act 2010 allows Audit Scotland to request data from participating bodies, but it does not place a requirement on Councils or other public organisations to review, and take appropriate action, following the data match process. Aberdeen City Council is self-regulating in respect of its counter fraud activities. Where fraud has occurred it is important to stop the fraud as soon as possible and look at whether weak controls have been exploited. The National Fraud Initiative is a valuable resource to help reduce the risk and actual fraud within the City.

All public bodies are under increasing financial pressure to deliver services and provide best value at a time where there is much more public and media scrutiny of our processes. During 2014/2015 many Scottish Local Authorities decided to transfer their investigation teams to the Department for Work and Pension Single Fraud Investigation Service to investigate Housing Benefit Fraud. Aberdeen City Council decided to retain their staff and created a Corporate Investigation Team. The National Fraud Initiative is a valuable resource to help reduce the risk and actual fraud, however, there needs to be an appropriate and suitable response program in place to manage the referrals generated. If this is not in place there is a risk that some public authorities may not attach as much importance to the issue as others resulting in various levels of compliance. As intimated by Audit Scotland in their submission to the Public Audit and Post Legislative Scrutiny Committee on 1 December 2016, they are limited to applying pressure and publicity against public bodies who do not act within the spirit of the National Fraud Initiative.

2. Could the legislation be strengthened in any way?

Answer – As part of the Protecting the Public Purse agenda, the Department for Work and Pensions regularly undertake data matching using legislation specifically in relation to benefit recipients. The Social Security Administration Act 1992(as amended), Social Security Fraud Act (2001) and Welfare Reform Act (2007) all contain measures to help reduce incidences of fraud by allowing authorised and trained investigators to obtain information from data holders. There is currently a lack of legislative authority to support Local Authority Counter Fraud Staff in their role which impacts on their ability to obtain meaningful sanctions or refer cases for criminal proceedings. This also acts as a barrier to committing to the principles of the Scottish Government's Counter Fraud Strategy.

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Consideration should be given to strengthening, or creating new legislation, to allow authorised and trained Local Authority investigators to be able to refer cases under statute to the Crown Office Procurator Fiscal Service for criminal prosecution. The Scottish Local Authority Investigators Group (SLAIG) would be able to advise further on this.

Data held by Her Majesty's Revenue and Customs (HMRC) should be made available to Audit Scotland to allow for a wider range of matches. One of the data matches relates to employees who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere, or are taking long-term sickness absence from one employer and working for another employer at the same time. Whilst recognising the value in this information it is limited in that it does not take into account an employee who may be working in a non-public authority e.g. an individual may also be employed by a retailer which would not show in this report. Instead of solely matching data against public bodies' consideration should be given to matching this information against HMRC data. This wider scope would likely require legislative changes, however, it would allow more potential frauds to be identified.

Audit Scotland, in consultation with data providers, should be able to vary the frequency and timing of the exercise. This could result in data being provided more often which would not only allow potential frauds to be addressed earlier, but would ease the administrative and investigative burden. Housing Benefit and Council Tax data generate the most matches, but these matches are released in January which corresponds with the busiest time for these teams as preparations are being made for annual billing. Consideration should be given to changing the timing of the releases until after April as this would allow resources to be allocated to these particular matches sooner.

3. Should participation in the National Fraud Initiative be improved? Are there any bodies who do not participate in the National Fraud Initiative who should do so?

Answer – Data held by credit reference agencies could be useful; however this information can become out dated very quickly. Consideration should be given to empowering Audit Scotland to be able to request employee data from private companies which are undertaking projects on behalf of or in conjunction with a council above a specified contract value e.g. £1m. In Aberdeen, for example, a construction firm are the official developers for the new Aberdeen Exhibition Centre with an estimated spend of £333million. While a main contractor will subcontract the work, contractual agreements can be put in place to ensure the same level of compliance with any subcontractors.

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4. Are there any other issues you would like to raise in connection to this particular part of the legislation?

Answer – Data is uploaded to the NFI website around September/October but the results are not available until January meaning the results are already out of date.

Staff are required to manually review each data match by comparing the information against current information held. Due to the volume of matches and the delay in receiving the data match there are many occasions where the data anomaly has already been corrected.

For example, data is uploaded to the NFI site on 5 September 2016. On 15 September 2016 the service user has reported a change which is input into the relevant system. As the data was uploaded on 5 September 2016 it will show a discrepancy when the match is made available in January 2017. The only way to check the current status is to manually check the relevant IT systems then update the NFI database. It would be a more efficient use of resources if, when the data is made available, it could be downloaded and a further data match undertaken at the Council which would remove the cases which had already been actioned.

A more efficient method of managing the project would be if the data upload and resulting matches occurred more frequently. In January 2017 Aberdeen City Council received 4,029 matches. Despite our best efforts it will take several months to review these and with each passing day there is the risk that the fraud will continue.

The NFI provides two additional functions; recheck data and appcheck. It is recognised that these tools are available to support the anti-fraud community, however, the Council is required to pay to use the appcheck tool. Consideration should be given to providing this service free of charge in order to encourage greater participation. It is reasonable to suggest that some Councils, for example where anti-fraud measures are given higher priority, may want to spend this money whereas other Councils, while having a commitment to the NFI, cannot afford it.

Consideration should also be given to developing a Scottish wide advertising campaign. Each participating body would be given access to a series of templates which could be individually tailored to allow contact details to be printed on them. These could be placed in libraries, community centres, council buildings and on websites. Not only would this increase public awareness, it should act as a deterrent in that potential fraudsters would see the number of public bodies that are participating.