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Acting Convener  
Public Audit and Post Legislative Scrutiny  
Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

18 January 2018

*Dear Convener,*

**Post-legislative Scrutiny: The National Fraud Initiative**

I would like to thank you and the Committee for the post-legislative scrutiny inquiry of the National Fraud Initiative (NFI) and its underpinning legislation.

I welcome the Committee's detailed consideration and the report published on 25<sup>th</sup> September 2017. Recognised in the report is my willingness to work with Audit Scotland and the Cabinet Office in exploring and taking forward the Committee's recommendations to help improve the NFI. I have taken this collaborative approach in responding to the report, instructing my officials to work with both Audit Scotland and the Cabinet Office in creating the attached joint action plan.

The actions outlined, with defined roles and targets, are designed to respond positively to the points raised by the Committee and to enhance the approach to the NFI in Scotland. The majority of actions are to be completed by June 2018 with some additional work being required into September 2018.

I will ensure that my officials keep the Committee updated on the progress made against the report's recommendations. Given our commitment to the NFI it is gratifying to hear that the general consensus with the initiative is that it is effective at protecting public money from fraud and error.

Once again I would like to thank the Committee for the suggestions as to how the exercise can be improved. The joint action plan is designed to build this improvement work into the on-going steps being taken by Audit Scotland, the Cabinet Office and the Scottish Government to enhance the NFI over time.

**DEREK MACKAY**

**POST-LEGISLATIVE SCRUTINY: NATIONAL FRAUD INITIATIVE – ACTION PLAN**

Recommendation	Response	Target
<p>We consider that additional publicity around the NFI could help to maximise its deterrent effect and therefore further reduce the cost of fraud to the public purse. We call on the Scottish Government and Audit Scotland to work with participating bodies to consider how best to raise public awareness of the NFI and how its successful outcomes could best be publicised. This should involve a review of current practice and consideration of a more proactive and comprehensive advertising strategy. We stress that this work should be proportionate as we do not wish to focus unfairly on particular groups of people.</p>	<p><b>Audit Scotland</b> will enhance the existing publicity arrangements for NFI. This will include the use of social media to publicise NFI results. The <b>Scottish Government</b> will directly support this work and encourage local publicity of successful outcomes. <b>Cabinet Office</b> will help provide marketing material and the development of case study material to demonstrate the successes and benefits of the NFI in practice.</p>	<p>Summer 2018</p>
<p>We believe that public bodies, in publicising the outcomes of the NFI, could also use this opportunity to report on any other successful anti-fraud measures. This would help to reassure the public that credible allegations of fraud are taken seriously.</p>	<p>The work to enhance the communications strategy, outlined above, will include working with public bodies to encourage the highlighting of successful anti-fraud measures. In particular the case study material should reassure the public that credible allegations of fraud are taken seriously and result in effective outcomes.</p>	<p>Summer 2018</p>
<p>We were disappointed to hear that work is still required to ensure the effective follow up of matches. The Scottish Government should consider extending Audit Scotland’s powers to enable it to place specific requirements on mandatory bodies where it appears they have been ineffective in investigating matches and therefore potentially allowing existing fraud or error to continue. Again, it is important that any such power be used proportionately.</p>	<p>The NFI exercise seeks to work with bodies to encourage active participation. Effective processing is not something that can easily be mandated. Audit Scotland will continue to encourage effective follow up of matches with local auditors reporting outcomes and issues in annual reports. The <b>Scottish Government</b> will then engage with <b>Audit Scotland</b> on the conclusions of this work and any potential, proportionate extension of powers.</p>	<p>On-going – review June 2018</p>

Recommendation	Response	Target
<p>It is important to the continued success of the NFI that local authorities have access to all the data they require and we heard a clear case that access to HMRC data would help. The Scottish Government should therefore determine whether a legal remedy is required on this issue and, if so, make representations to the Cabinet Office.</p>	<p>The <b>Scottish Government</b> will liaise with Scottish Local Authorities to evaluate the benefits of access to HMRC data. The <b>Cabinet Office</b> will share details of any areas where it identifies potential benefits from integrating HMRC data into NFI. The <b>Scottish Government</b> will then consider whether any legal changes are needed to ensure the NFI's continued success in Scotland as part of this evaluation.</p>	<p>June 2018</p>
<p>In general, we agree that any measures to increase the effectiveness of the NFI should be encouraged. We therefore call on the Scottish Government to consider whether there is evidence to show that any approaches adopted elsewhere in the UK have been successful and, if so, to revise Scottish legislation accordingly.</p>	<p>The <b>Scottish Government</b> will consider whether there is a need to strengthen Scottish legislation on the basis of approaches adopted elsewhere in the UK. This will include engagement with public bodies to determine what action may be required, building on the evidence received as part of the Committee's post-legislative scrutiny.</p>	<p>June 2018</p>
<p>We call on the Scottish Government to clarify this issue (the legal position on accessing data from the electoral roll).</p>	<p>The <b>Scottish Government</b> will review the legal position and engage with local authorities as required to ensure clarity on electoral roll data access for all NFI participants.</p>	<p>March 2018</p>
<p>We believe all public bodies and private organisations in receipt of public money should participate in the NFI, where this would deliver clear benefits to the public purse.</p>	<p>The <b>Scottish Government</b> will work with <b>Audit Scotland</b> and the <b>Cabinet Office</b> to review approaches taken across the rest of the UK and establish what organisations may be brought into the NFI architecture that would deliver clear benefits to the exercise in Scotland.</p>	<p>June 2018</p>
<p>Should the Scottish Government consider that further legislative change is not required to widen the scope of the NFI, we invite Audit Scotland to consider whether it could take further steps to encourage relevant organisations to participate voluntarily.</p>	<p><b>Audit Scotland</b> risk assesses the bodies it can mandate to NFI in terms of the likely benefits to be achieved in NFI participation and encourages appropriate audited bodies to participate in NFI. This would include any new public bodies that are created.</p>	<p>On-going</p>

Recommendation	Response	Target
<p>We also invite Audit Scotland to consider whether, in reporting on future NFI results, it could provide further information on the overall cost-benefit ratio to the public sector. Further, where there has been a significant drop in fraud associated with a particular programme, we would welcome an assurance that this is due to more effective antifraud measures, rather than, for example, public bodies being unable to investigate fully.</p>	<p><b>Audit Scotland</b> will consider how to undertake a cost-benefit analysis to enhance the NFI supporting information. <b>Cabinet Office</b> will help support Audit Scotland to develop this methodology. <b>Audit Scotland</b> will consider how to enhance the NFI report to include more on the success of antifraud measures where possible.</p>	<p>June 2018</p>
<p>We believe it is important to extend the NFI's scope where this would clearly help to tackle fraud in any spending areas not currently covered. We also ask the Scottish Government to confirm that, where relevant, it takes the NFI into account when considering setting up new spending programmes. Given the scale of the new social security powers, we also seek confirmation of how much it will cost to align these new powers with the NFI.</p>	<p>The <b>Scottish Government</b> can confirm that it includes all spending data on new programmes when participating in the NFI exercise. Both the <b>Scottish Government</b> and <b>Audit Scotland</b> work with new bodies when they are being established to ensure they are brought into the NFI where appropriate. This will include the Social Security Agency. Audit Scotland will report back to the Committee on the fee that will be incurred for Social Security Agency participation.</p>	<p>June 2018</p>
<p>We believe it is important to tackle those who repeatedly commit fraud in order to provide reassurance that systems are effective and that public money is not being wasted. We note the Cabinet Office is considering how to address the issue and we expect the Scottish Government to work with the Cabinet Office and Audit Scotland on this as a matter of urgency. We request an update on how the problem is being tackled.</p>	<p>The <b>Cabinet Office</b> seeks to identify and incorporate relevant datasets, including those relating to known fraudsters, where they can help effectively prevent and detect fraud. The NFI already includes some known fraud intelligence, specifically the Metropolitan Police 'Amberhill' database. Cifas known fraud intelligence has recently been piloted and the impact is being evaluated. <b>Audit Scotland</b> will seek to identify any other relevant datasets e.g. through discussions with clients. Additional datasets to support this work will be considered as the NFI strategy is developed through to 2020.</p>	<p>On-going</p>

Recommendation	Response	Target
<p>We ask the Scottish Government, working with Audit Scotland, to provide an estimate of how much could potentially be saved by AppCheck, and to confirm how much its roll out in Scotland would cost and how it would be funded.</p>	<p>The <b>Scottish Government</b> and <b>Audit Scotland</b> will work with <b>Cabinet Office</b> to establish and market a free trial period for AppCheck use to prevent fraud. In previous trials the challenge has been in low take-up and ensuring active use of the service. This naturally restricts the potential to prevent fraud. We will back any trial with promotion and support aimed at encouraging effective use. This trial can then be evaluated to establish the effectiveness of the service and how it should be funded.</p>	<p>September 2018</p>
<p>This is our first post-legislative scrutiny inquiry and we were pleased to hear the general consensus, with which we concur, is that the NFI is effective at protecting public money from fraud and error. We thank all those who provided suggestions as to how it could be made even more effective and look forward to receiving the Scottish Government's response.</p>		
<p>We call on the Scottish Government to confirm whether it is clearly able to distinguish the NFI's success from other anti-fraud measures, and for how long the NFI can usefully continue as a stand-alone measure.</p>	<p>It is not straightforward to distinguish between one anti-fraud measure and another, particularly when you consider the deterrence a measure such as publicity can have in preventing fraud. The NFI is not a stand-alone measure, with many actions being taken across Scotland in individual organisations to support our strategic approach to fighting fraud, <a href="#">Protecting Public Resources</a>. The strategy is designed to <b>raise awareness of the continued importance of fighting fraud, bribery and corruption; provide a basis to improve fraud action plans and strategies in individual organisations; and ensure a consistent preventative approach is being taken to counter fraud</b> across Scotland.</p>	<p>N/A</p>