



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 FEBRUARY 2024

SUBJECT: THE NATIONAL FRAUD INITIATIVE IN SCOTLAND

BY: AUDIT AND RISK MANAGER

1. REASON FOR REPORT

- 1.1 To provide Committee with information on the Council's approach to participation in the National Fraud Initiative (NFI).
- 1.2 This report is submitted to Committee in terms of Section III (l) (2) of the Council's Scheme of Administration relating to considering reports from the Council's Internal Auditor.

2. RECOMMENDATION

- 2.1 **Committee is asked to consider the Audit Scotland self-appraisal checklists that participating bodies are invited to complete and present to their local audit committees; seek clarification on any points noted and otherwise note the report.**

3. BACKGROUND

- 3.1 The NFI is a data matching project conducted by the Cabinet Office on behalf of Audit Scotland every 2 years. Public bodies, including local authorities, are mandatory participants in this process. A matching exercise was undertaken in 2023, and the Council was provided with the results in the form of "data sets" detailing the matches for investigation. The review of these matches is nearing completion. The approach taken within the Council has been for Services to review and document the reasons for the data matches and for the Internal Audit Section to investigate any potential fraud, monitor progress and report on the outcome.
- 3.2 The NFI involves a data matching exercise from a range of systems both within the Council and from data provided by other councils and organisations. Data is submitted on individuals and businesses that receive public funds either as paid employees or suppliers of goods, works or services, or in the form of benefits and rates relief. Data is also provided on individuals with housing tenancies and waiting lists, taxi licence holders, and recipients of blue badges. There is no presumption of fraud, simply a match comprises two or more records where there appears to be some anomaly that would merit further review.

- 3.3 In August 2022, Audit Scotland published a report titled '[The National Fraud Initiative in Scotland 2022](#)'. This report detailed the success of the NFI exercise within the public sector to mitigate fraud and error. Over 130 Scottish public sector bodies participated in the 2020/2021 NFI exercise, with £14.9 million of fraud, overpayment and error identified in Scotland. However, previous data matching exercises in Moray have not found fraud, rather timing differences or information that is out of date, i.e. if an individual changes jobs or address around the time the data for matching is submitted, the old and new information can appear as a match but on checking can be quickly discounted.
- 3.4 Detailed within the Audit Scotland report is a recommendation for Audit Committees or equivalent, and officers leading the NFI should review Audit Scotland's National Fraud Initiative self-appraisal checklists. These self-appraisal checklists have now been reviewed and completed by the Audit and Risk Manager and are provided as **Appendix 1**. It is pleasing to report from the overview undertaken that the Council is essentially meeting Audit Scotland requirements with no immediate actions required.
- 3.5 The completion of the self-appraisal checklists has been a helpful aid-memoire as the Council has progressed through the investigation of matches provided in 2023. At the conclusion of the data matching exercise, the findings will be reported to this Committee by the Audit and Risk Manager.

4 SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Internal audit work supports good governance and the delivery of efficient services.

(b) Policy and Legal

No implications directly arising from this report.

(c) Financial Implications

There is a cost of participation in NFI; however, there are also benefits where correction of errors results in additional funding for the council, and additionally, assurances are obtained on the robustness of our systems.

(d) Risk Implications

The risk of not participating is that fraud or error occurs and is allowed to continue unchecked.

(e) Staffing Implications

No implications directly arising from this report.

(f) Property

No implications directly arising from this report.

(g) Equalities/Socio Economic Impact

No implications directly arising from this report.

(h) Climate Change and Biodiversity Impacts

No implications.

(i) Consultations

The Chief Financial Officer as the NFI Senior Responsible Officer has been consulted with the content of this report.

5. CONCLUSION

5.1 The Council is complying with the Audit Scotland requirements for participants in the National Fraud Initiative, as evidenced in the completed self-assessment checklist provided with this report.

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| Author of Report: | Dafydd Lewis | Audit and Risk Manager |
| Background Papers: | Internal Audit files | |
| Ref: | SPMAN- 1042990102-198 | |