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<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>24 October 2023</b>
<b>Report By:</b>	<b>Head of Legal, Democratic, Digital and Customer Services</b>	<b>Report No:</b>	<b>AC/23/23/IS/APr</b>
<b>Contact Officer:</b>	<b>Andi Priestman</b>	<b>Contact No:</b>	<b>01475 712251</b>
<b>Subject:</b>	<b>National Fraud Initiative Exercise 2022-23 - Update</b>		

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## **1.0 PURPOSE AND SUMMARY**

1.1  For Decision  For Information/Noting

1.2 The purpose of this report is to update Members on the current position with regard to the National Fraud Initiative in Scotland 2022/2023 Exercise.

## **RECOMMENDATIONS**

2.1 It is recommended that Members note the contents of this report and that a further report will be presented to the February 2024 Audit Committee on the 2022-23 Exercise.

**Iain Strachan**  
**Head of Legal, Democratic, Digital and Customer Services**

### **3.0 BACKGROUND AND CONTEXT**

3.1 The NFI in Scotland is now well established with this being the 9th biennial exercise since 2006/07. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. The NFI remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies. Its key features are that it:

- acts as a deterrent to potential fraudsters.
- identifies errors and fraud thus enabling appropriate action to recover money and/or press criminal charges.
- can provide assurances, similar to a regular health check, that systems are operating well and can also identify where improvements are required.
- operates across boundaries between public bodies in different sectors and countries.
- represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.

3.2 The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

3.3 Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

3.4 Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and can therefore limit the gaps available for fraudsters to manipulate and can help identify those that have. It also supports bodies to identify and implement process and control improvements that should reduce future errors and the costs of correcting these errors.

3.5 Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (NFI) exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

### **4.0 PROPOSALS**

4.1 For 2022/23, a number of data matches were released during January and February 2023. These are set out at Appendix 1 together with an update on the progress of investigations at 29 September. Further data matches are expected to be released later in 2023.

4.2 The 2022/23 NFI exercise continues to be monitored by Internal Audit as part of the 2023/24 Annual Audit Plan. Training and support is provided to Services responsible for investigating the matches and an update on progress will continue to be provided on a regular basis to Audit Committee.

## 5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

## 5.2 Finance

There are no direct financial implications arising from this report, however the initiatives described in this report are intended to detect fraud and error which can cause financial loss to the Council.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

## 5.3 Legal/Risk

The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. This can lead to process risks being identified during the investigation of matches and internal controls being strengthened to reduce the risk of fraud and error recurring in the future and improve the Council's control environment.

## 5.4 Human Resources

There are no direct human resources implications arising from this report.

## 5.5 Strategic

This report relates to strong corporate governance.

## **6.0 CONSULTATION**

6.1 Relevant Officers were asked to provide updates to the report as appropriate.

## **7.0 BACKGROUND PAPERS**

7.1 Report no: AC/14/23/IS/APr - National Fraud Initiative Exercise – Update Report April 2023

Area	Number of Matches Received	Number of Matches Processed	Outcome			Value of fraud or error
			No issue	Fraud	Error	
Housing Benefit to Housing Benefit	1	1	1	0	0	
Housing Benefit to Housing Tenants	3	3	3	0	0	
Housing Benefit to Taxi Drivers	6	6	6	0	0	
Housing Benefit to DWP Deceased	14	14	14	0	0	
Payroll to Payroll	73	0	0	0	0	
Payroll to Pensions	2	0	0	0	0	
Payroll to Creditors	18	0	0	0	0	
Housing Benefit to Waiting List	4	4	4	0	0	
Blue Badge	327	28	28	0	0	
Council Tax Reduction Scheme to Payroll	102	97	96	0	1	£1,693.06
Council Tax Reduction Scheme to Pensions	46	35	32	0	3	£3,111.87
Council Tax Reduction Scheme to Council Tax Reduction Scheme	1	1	0	0	1	£1,400.94
Council Tax Reduction Scheme to Housing Tenants	1	1	1	0	0	
Council Tax Reduction Scheme to Taxi Drivers	64	7	7	0	0	
Council Tax Reduction Scheme to Housing Benefit Claimants	1	1		0	0	
Council Tax Reduction Scheme to DWP Deceased	24	24	24	0	0	
Duplicate Creditors	797	38	1	0	0	
VAT Overpaid	60	60	60	0	0	
Procurement - Payroll to Companies House	41	0	0	0	0	
<b>Total</b>	<b>1586</b>	<b>320</b>	<b>315</b>	<b>0</b>	<b>5</b>	<b>£6,205.87</b>