



### **National Fraud Initiative (NFI) 2016/17**

**Committee**            Audit and Standards

**Date of meeting**    17 March 2017

**Date of report**     6 March 2017

#### **Report by Assistant Chief Executive (Business Support)**

##### **1. Object of report**

To advise the committee on the outcomes of the National Fraud Initiative (NFI) 2016/17 exercise. This engagement is included in the annual Internal Audit plan for 2016/17.

##### **2. Background**

With reference to the minute of the 9 September 2016 meeting, an action from this meeting was to submit a report on the outcomes of the NFI 2016/17 exercise.

In accordance with the Partnership's Counter Fraud Strategy, the Partnership participated in the National Fraud Initiative exercise during 2016/17. NFI is a UK wide matching exercise of mandatory and risk based datasets (e.g. payroll, pensions, trade creditors, etc.) held by public bodies.

The NFI in Scotland is well established and exercises are undertaken every two years. Audit Scotland enables the process by gathering relevant information (datasets) from participating public bodies to undertake computerised data matching. Data matches found within and between public bodies are then distributed to each relevant authority for further analysis and investigation. Any errors and frauds found, together with recovery action taken, are reported back to Audit Scotland, using NFI website tools, for them to prepare a national report.

##### **3. Outline of findings**

In early October 2016, SPT datasets for payroll and trade creditors were provided to the national NFI team, as per a prescribed timescale. These datasets were then matched with public bodies' data. A data match is where the same address, bank account, date, name or payment details is identified in two or more transactions.

On 26 January 2017, the NFI team released 963 matches to SPT, of these, 959 were trade creditor matches. The remaining 4 related to payroll matches.

Engagement testing analysed and investigated the matched data and found no error or fraud. The findings of this exercise were then reported back to Audit Scotland using NFI website tools.

SPT business transactions result in a high volume of periodic creditor payments which were identified by the NFI team as a data match. The engagement identified a requirement to cleanse creditor standing data held in the financial management system.

Key controls exist and are applied consistently and effectively in most areas reviewed.

Sound assurance in most areas can be taken from the areas covered in this engagement.

#### 4. Conclusions

The Partnership participated in the National Fraud Initiative (NFI) exercise during 2016/17. Data matches were analysed and investigated with no error or fraud found.

#### 5. Committee action

The committee is asked to note the contents of this report and the on-going work by the Partnership to prevent, detect, and investigate fraud.

#### 6. Consequences

Policy consequences	<i>In accordance with the Counter Fraud Strategy.</i>
Legal consequences	<i>The NFI exercise is carried out under powers given to Audit Scotland for data matching included in the Criminal Justice and Licensing (Scotland) Act 2010. Disclosure of and results from data matching are specified in the Public Finance and Accountability (Scotland) Act 2000.</i>
Financial consequences	<i>None</i>
Personnel consequences	<i>None</i>
Social Inclusion consequences	<i>None</i>
Risk consequences	<i>Participation in the biennial NFI exercise mitigates fraud risk.</i>

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