



Audit Scotland report: National Fraud Initiative

Committee Audit and Standards

Date of meeting 28 August 2020

Date of report 30 July 2020

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the issue of an Audit Scotland report titled '*National Fraud Initiative (NFI)*', and provide a position statement on the work completed to date to support the Partnership's participation in the 2020/2021 NFI exercise.

2. Background

Audit Scotland report

In July 2020, Audit Scotland published a report titled '*National Fraud Initiative*'.

The report says that since Audit Scotland last reported on '*National Fraud Initiative*' in June 2018, outcomes valued at £15.3 million have been recorded from the 2018/2019 NFI exercise and the cumulative outcomes from the NFI in Scotland are now at £143.6 million.

In total, 124 Scottish public sector bodies participated in the 2018/2019 NFI exercise, with 580,393 matches being identified for these Scottish bodies to consider.

Members may recall that the 2018/2019 NFI exercise identified 970 matches from 3 datasets submitted by SPT, of these, 962 were trade creditor matches. The remaining 8 related to payroll matches (3 related to members and 5 employees).

Audit 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.

The National Fraud Initiative (NFI) in Scotland

The NFI is linked to the statutory audit of participating bodies and the results are reported every two years by Audit Scotland.

The NFI in Scotland is now well established with the 2020/2021 exercise being the seventh biennial exercise since 2006/2007. 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 be taken;
- 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.

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. Participating bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

The full report can be found at:

<https://www.audit-scotland.gov.uk/report/the-national-fraud-initiative-in-scotland-201819>

3. Outline of proposals

The following sections outline the work completed to date and proposed actions to support the Partnership's participation in the 2020/2021 NFI exercise.

3.1 Self-appraisal checklist

In accordance with good practice, Audit Scotland's self-appraisal checklist has been completed, prior to involvement in the 2020/2021 NFI exercise (see Appendix 1).

3.2 Awareness

As part of the fraud response plan, employees and members will be made aware of the Partnership's participation in NFI via a note in their payslip and from a news article on the Intranet site.

3.3 Timetable

Datasets will be uploaded to the NFI website in accordance with prescribed timetable.

3.4 Findings from 2020/2021 NFI exercise

A follow-up report on the outcome of the 2020/2021 NFI exercise will be presented to the Audit and Standards committee in June 2021 following investigation of 'matches'.

4. Conclusions

Audit Scotland published a report titled '*National Fraud Initiative*' in July 2020. The report says that since Audit Scotland last reported on '*National Fraud Initiative*' in June 2018, outcomes valued at £15.3 million have been recorded from the 2018/2019 exercise and the cumulative outcomes from the NFI in Scotland are now at £143.6 million.

Preparatory work has been completed and further actions proposed to support the Partnership's participation in the 2020/2021 NFI exercise.

5. Committee action

The committee is asked to note the contents of this report and the Audit Scotland report titled '*National Fraud Initiative*'.

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 section 26D of the Public Finance and Accountability (Scotland) Act 2000.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>Participation in the biennial NFI exercise mitigates fraud risk.</i>

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Title Assistant Chief Executive

Title Chief Executive

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National Fraud Initiative

Self-appraisal checklist



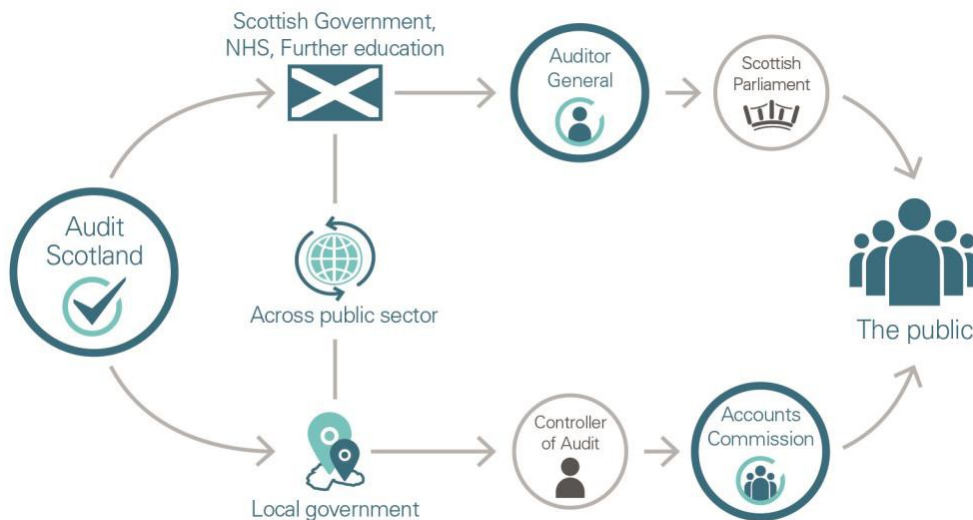
 AUDIT SCOTLAND

Prepared by Audit Scotland
July 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Background

1. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

2. It means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess fraud prevention arrangements which those bodies have.

Self-appraisal checklist

- 3.** [Appendix 1](#) includes a two-part checklist that we encourage all participating bodies to use to self-appraise their involvement in the NFI prior to and during the NFI exercises.
- 4.** Part A is designed to assist audit committee members when reviewing, seeking assurance over or challenging the effectiveness of their body's participation in the NFI.
- 5.** Part B is for officers involved in planning and managing the NFI exercise.

How to work more efficiently

6. Audit Scotland continues to encourage organisations to review and investigate NFI matches efficiently and effectively. This enables them to make better use of their limited resources. Some suggestions for improving efficiency and effectiveness are included at [Appendix 2](#).

Appendix 1

Self-appraisal checklist

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
Leadership, commitment and communication			
<p>1. Are we aware of emerging fraud risks, e.g. due to Covid-19, and taken appropriate preventative and detective action?</p> <p>2. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?</p>	<p>Yes. Intranet articles and email communications to staff on fraud risks.</p> <p>Yes. Reports to Audit and Standards committee.</p>		
<p>3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?</p> <p>4. Have we considered using the point of application data matching service offered by the NFI team, to enhance assurances over internal controls and improve our approach to risk management?</p>	<p>Yes. Counter Fraud Strategy.</p> <p>Yes. Matching service limited to datasets.</p>		
<p>5. Are NFI progress and outcomes reported regularly to senior management and elected/board members (e.g., the audit committee or equivalent)?</p> <p>6. Where we have not submitted data or used the matches returned to us, e.g. council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?</p>	<p>Yes. Reports to Audit and Standards committee.</p> <p>N/a.</p>		
<p>7. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?</p>	<p>Yes. NFI included in Internal Audit plan.</p>		

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
8. Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes.		
9. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (e.g., successful prosecutions)?	Yes. Reports to Audit and Standards committee.		

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
Planning and preparation			
1. Are aware of emerging fraud risks, e.g. due to Covid-19, and taken appropriate preventative and detective action?	Yes. Intranet articles and email communications to staff on fraud risks.		
2. Are we investing sufficient resources in the NFI exercise?	Yes.		
3. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.	Yes. NFI included in Internal Audit plan.		
4. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	Yes. Key contact is the Audit and Assurance manager.		
5. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Yes. NFI included in Internal Audit plan.		
6. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?	Yes. NFI included in Internal Audit plan.		
7. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes.		
8. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes.		

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
9. Have we considered using the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Yes. Matching service limited to datasets.		
Effective follow up of matches			
10. Do all departments involved in NFI start the follow-up of matches promptly after they become available?	Yes.		
11. Do we give priority to following up high-risk matches, those that become quickly out-of-date and those that could cause reputational damage if a fraud is not stopped quickly?	Yes.		
12. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes.		
13. (In health bodies) Are we drawing appropriately on the help and expertise available from NHS Scotland Counter Fraud Services?	N/a.		
14. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)? Are we recovering funds effectively?	Yes.		
15. Do we avoid deploying excessive resources on match reports where early work (e.g., on high-risk matches) has not found any fraud or error?	Yes.		
16. Where the number of high-risk matches is very low, are we adequately considering the medium and low-risk matches before we cease our follow-up work?	Yes.		
17. Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes.		

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
Recording and reporting			
18. Are we recording outcomes properly in the secure website and keeping it up-to-date?	Yes.		
19. Do staff use the online training modules and guidance on the secure website, and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?	Yes.		
20. If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform the NFI team about these outcomes?	N/a.		

Appendix 2

How to work more efficiently

<i>Concerns</i>	<i>How to work more efficiently</i>
Many participants are not using the latest time-saving enhancements to the NFI software.	Ensure staff within the organisations that take part in the NFI keep up-to-date with new features of the web application and good practice by reading the guidance notes and watching the online training modules before they begin work on the matches.
Matches that are time critical and could identify an overpayment are not acted on first.	Key contacts should schedule staff resources so that time-critical matches, such as housing benefit to students and payroll to immigration, can be dealt with as soon as they are received.
Investigations across internal departments are not coordinated resulting in duplication of effort or delays in identifying overpayments.	Key contacts should coordinate investigations across internal departments and, for example, organise joint investigation of single person discount matches involving housing benefit, to ensure all relevant issues are actioned.
Disproportionate time is spent looking into every match in every report.	Use the tools within the web application to help prioritise matches that are the highest risk. This will save time and free up staff for the most important investigations.
Enquiries from other organisations that take part in the NFI are not always responded to promptly.	Prioritise responses to enquiries from other organisations so investigations can be progressed.
Data quality issues that are highlighted within the web application are not addressed before the next NFI exercise.	Review the quality of the data supplied before the next exercise as external providers normally have to phase in changes to extraction processes. Better data quality will improve the quality of resulting matches.

Source: Cabinet Office NFI team

National Fraud Initiative

Self-appraisal checklist

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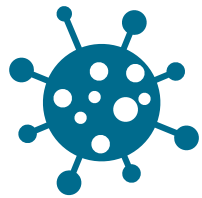
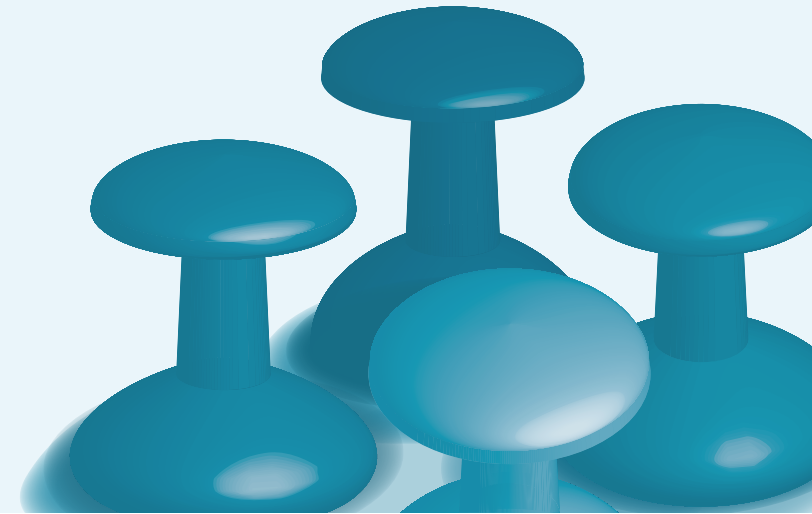
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National Fraud Initiative 2018/19



Prepared by Audit Scotland
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Covid-19 raises risk of public-sector fraud



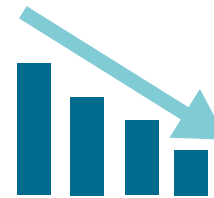
1. Covid-19

The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched and controls and governance are changing.



2. Outcomes

Since we last reported on the National Fraud Initiative (NFI) in Scotland in June 2018, outcomes valued at £15.3 million have been recorded. The cumulative outcomes from the NFI in Scotland since the first exercise 2006/07 are now £143.6 million. Across the UK, the cumulative total of NFI outcomes are now £1.93 billion.



3. Results

NFI outcomes in Scotland have fallen by £2.4 million to £15.3 million in the 2018/19 exercise, despite an increase in participating bodies. Reduced levels of outcomes could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.



4. Process

Most organisations demonstrate a strong commitment to counter-fraud and the NFI. Some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.

Recommendations

1. Covid-19 risks

All participants should be aware of emerging fraud risks, eg due to Covid-19, and take appropriate preventative and detective action.


2. Maximise the benefits

All participants in the NFI exercise should ensure that they maximise the benefits of their participation.

They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.



3. Self-appraisal checklist

Audit committees, or equivalent, and staff leading the NFI should review the [NFI self-appraisal checklist](#) .

This will ensure they are fully informed of their organisation's planning and progress in the 2020/21 NFI exercise.

4. Take action

Where local auditors have identified specific areas for improvement, participants should act on these as soon as possible.

1. Fraud risks associated with Covid-19

The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to continue to deliver services for individuals, communities and businesses in an extremely difficult time. This includes additional fraud risks that will be important for public bodies to identify and manage.

Good governance and sound controls are essential in such crisis situations. The risks include, but are not limited to:



public-sector staff working remotely



an increase in cyber-crime as more public-sector staff connect remotely



public-sector staff working under extreme pressure



an increase in phishing emails and scams trying to get staff working under pressure to click on links which allow fraudsters access to public-sector systems



government stimulus packages to support individuals and businesses being provided quickly with a lower level of scrutiny and due diligence than has previously been in place for similar schemes.

2. National Fraud Initiative outcomes

The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The NFI uses data sharing and matching to help confirm that services and payments are provided to the correct people. An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents.

NFI outcomes



£15.3 million
NFI outcomes in Scotland
from the 2018/19 exercise

These are split between outcomes for the 2018/19 exercise (£13.5 million) and late outcomes from the 2016/17 exercise (£1.8 million)



£143.6 million
NFI outcomes cumulatively in
Scotland since 2006/07



UK NFI outcomes
£244.7 million
from the 2018/19 exercise
£1.93 billion
cumulatively since 2006/07

The background of the NFI is contained in [Appendix 1](#).

Trends in outcomes between 2016/17 and 2018/19 exercises



Outcomes in Scotland
have fallen by £2.4 million
to £15.3 million



Number of matches
generated has fallen
by 76,562 to 580,393



Number of participating
bodies has increased
by 11 to 124

The decrease in outcomes is partly down to immigration data not being included in the 2018/19 exercise due to restrictions placed on it by the Home Office following the recent review into the treatment of the Windrush generation. Following the review, the Home Office decided to temporarily suspend sharing immigration data until it had considered the findings of the review and reflected those findings in its policies and procedures. Reduced levels of outcomes and matches could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.

Having fewer matches provides some assurance there do not appear to be significant problems in the areas covered by the exercise. However, participants still benefit from the deterrent effect the NFI creates.

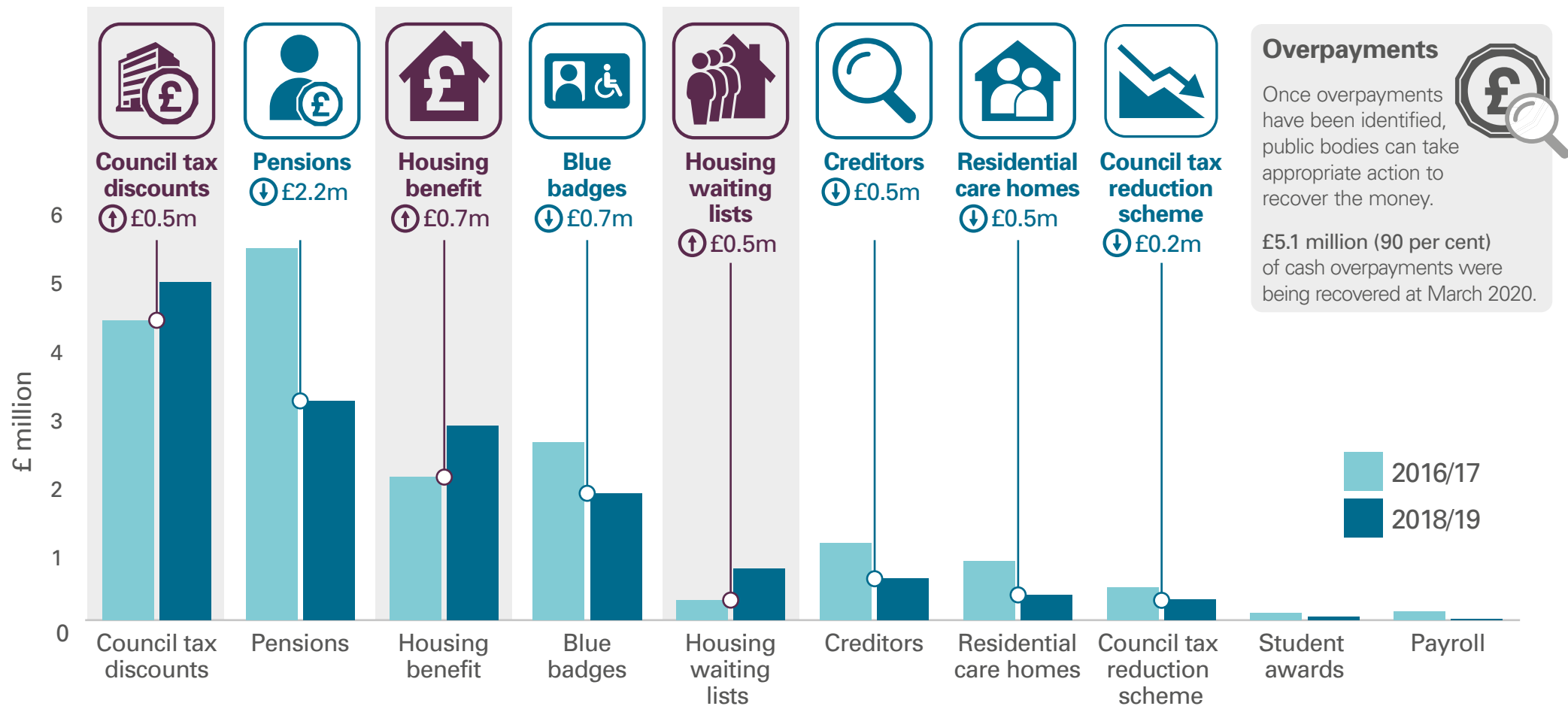
Although the main purpose of the NFI is to ensure funds and services are provided to the correct people, the review of NFI matches may also identify that a customer is entitled to additional services or payments.

Details of the Scottish NFI participants are on our [FraudHub](#)

3. Results

How the latest outcomes compare to the last exercise

The areas with significant changes are:





Council tax discounts

People living on their own, or with no countable adults in the household, are eligible for a 25 per cent single person discount (SPD) on their annual council tax bill.

£4.9 million

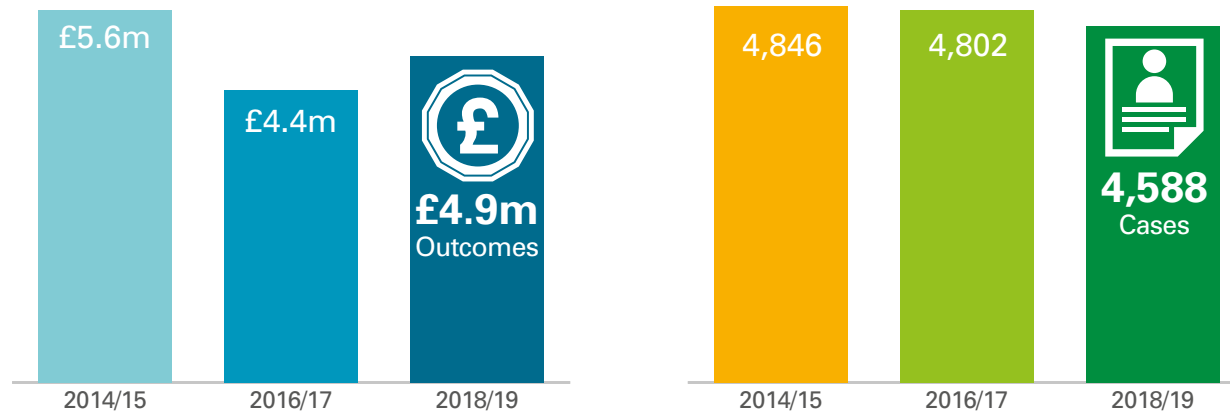
Total outcomes
in 2018/19 exercise

£1,072

Average outcome

4,588

Cases



The 2018/19 NFI exercise found that the total council tax discount incorrectly awarded across Scottish councils totalled £4.9 million. This is an average outcome of £1,072 for each case compared with £916 per case in the 2016/17 NFI.

Five councils used alternative data matching or verification for SPD data matching during 2018/19.

Case study

East Dunbartonshire Council



An NFI match between a council tax reduction claimant and a pension recipient identified that a second undeclared adult was residing with the council tax reduction claimant.

Investigations identified that the pension recipient had been staying in, and jointly owned, the property since 1983. The pension recipient moved out of the property in 2013 and later returned in 2018.

As a result a council tax reduction overpayment of £2,200 plus a council tax SPD outcome of £9,800 were identified.

Council tax data is matched to:



Electoral register





Pensions

For the Scottish Public Pensions Agency (SPPA) and councils that administer pensions, the NFI is an efficient and effective way of checking that they are only paying pensions to people who are alive.

£3.2 million

Total outcomes
in 2018/19 exercise

£2.2 million

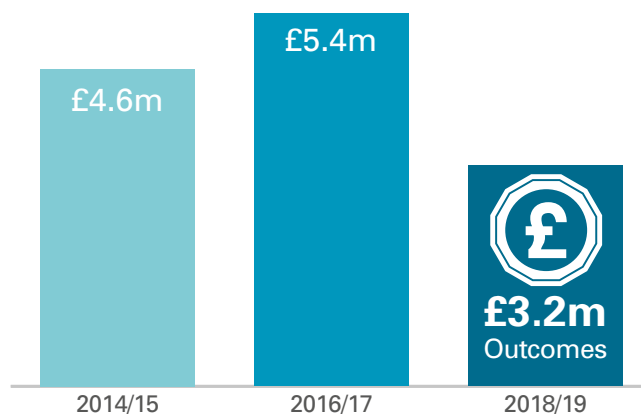
Reduction on the
2016/17 NFI exercise

£32,600

Average outcome
for each case

Pension outcomes have fallen due to the 'tell us once' reporting process having become more embedded over the last two years, and SPPA carrying out 6-monthly mortality screening.

Pension outcomes across the UK have fallen by 59 per cent from £143.7 million in 2016/17, to £59.1 million in 2018/19.



Note: Due to a formula error in the NFI computer system, pension outcomes in the 2016/17 exercise were overstated by £0.9 million. The figure has been adjusted accordingly.

Case study

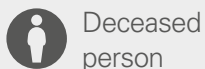
Dundee City Council



An NFI match indicated that a pensioner had died. Investigations revealed that the pensioner had been living in Canada and had died in 2016.

A pension of just under £22,000 had been paid since the date of death. It was also established that the pensioner's widow has also since died. The overpaid pension has been partially offset against the widow's pension.

Pension data is matched to:



Deceased person



Payroll



Housing benefits



Injury benefits



Amberhill data

Amberhill is a system used by the Metropolitan Police to authenticate documents presented for identity.

Tell us once



'Tell us once' is a service that lets you report a death to most government organisations when registering the death.



Housing benefit

The NFI provides councils and the Department for Work and Pensions (DWP) with the opportunity to identify a wide range of benefit frauds and errors. Housing benefit helps people on low incomes pay their rent.

£2.8 million

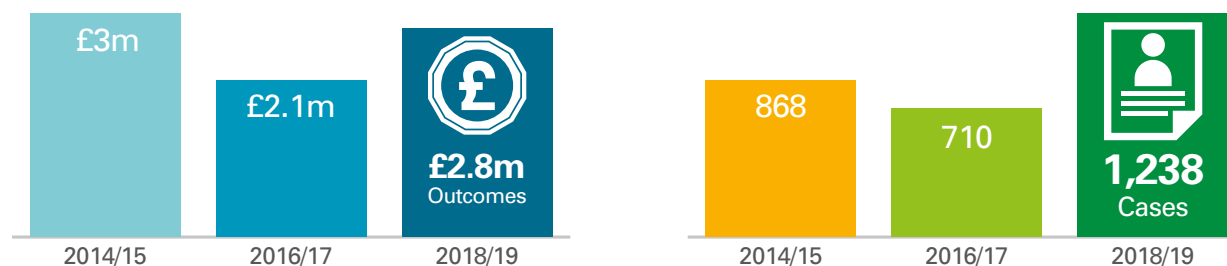
Total outcomes
in 2018/19 exercise

£2,292

Average individual
value of overpayments

1,238

Cases



The value and number of housing benefit cases recorded with overpayments has risen from £2.1 million from 710 cases in the 2016/17 NFI, to £2.8 million from 1,238 cases in the 2018/19 NFI.

Although the number of benefit cases has risen, along with an increase in outcomes, the average individual value of overpayments has fallen from £2,923 in the 2016/17 NFI exercise to £2,292 in 2018/19.

One possible reason for the decline in the average value of individual overpayments of the 2018/19 outcomes is that the DWP and councils are now using real-time information (RTI) payroll and pension information, to help ensure any overpayments are picked up more quickly.

Housing benefit data is matched to:



Student loans



Payroll



Pensions



Housing
benefits



Housing
tenants



Right to buy
(in England)



Licences



Deceased
person



Amberhill
data

Case study

Renfrewshire Council



An NFI match resulted in a joint investigation by the council and the Department for Work and Pensions. This investigation identified that a benefit claimant had failed to declare their occupational pension since 2013, their earnings while working as a 'bank staff' employee and all of their bank accounts.

The undeclared occupational pension and earnings resulted in a housing benefit overpayment of £6,682.35 and a council tax reduction adjustment of £1,633.91.

The council has reported the matter to the Procurator Fiscal, for consideration of proceedings.



Blue badges

The blue badge parking scheme allows people with mobility problems to park for free at on-street parking meters, in 'pay and display' bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances.

£1.8 million

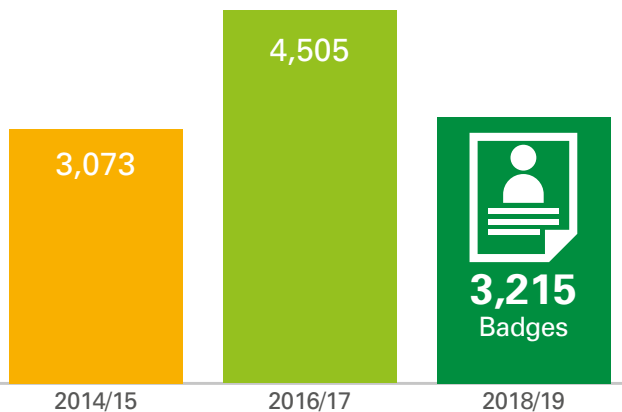
Total outcomes
in 2018/19 exercise

3,215

Total number of blue
badge outcomes in
2018/19 exercise

1,290

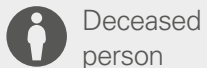
Decrease from NFI
2016/17 exercise



The 2018/19 NFI exercise identified 3,215 blue badge outcomes, which is a decrease of 1,290 (40 per cent) since the last exercise.

Badges are sometimes used or renewed improperly by people after the badge holder has died. It is an offence for an unauthorised person to use a blue badge.

Blue badge data is matched to:



Deceased
person



Amberhill
data



Housing waiting lists

The aim of the NFI using housing waiting list data is to identify possible cases of waiting list fraud. This happens when an individual has registered on the waiting list but there are possible undisclosed changes in circumstances or false information has been provided. This was a new data set for the 2016/17 NFI exercise. Social housing provides affordable accommodation, allocated according to need. It usually provides a more secure, long-term tenancy when compared to private renting.

£0.7 million

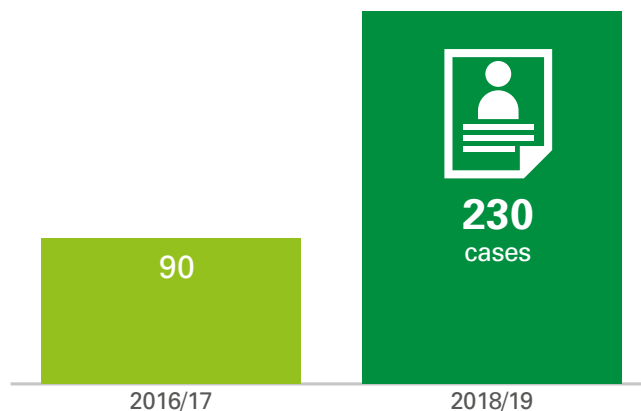
Total outcomes in 2018/19 exercise

230

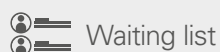
Cases

Councils identified 230 cases where applicants were removed from waiting lists. Stirling Council identified 185 (80 per cent) of these cases.

The estimated value of these cases is £0.7 million. This is based on a calculation of the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property.



Housing waiting list data is matched to:



Waiting list



Housing benefit



Housing tenants



Right to buy
(in England)



Deceased
persons



Amberhill data



Creditors

The NFI provides an efficient way to check for duplicate payments and that payments are only made to appropriate creditors. A creditor is a person or an organisation that a public body pays money to for a good or service.

£0.6 million

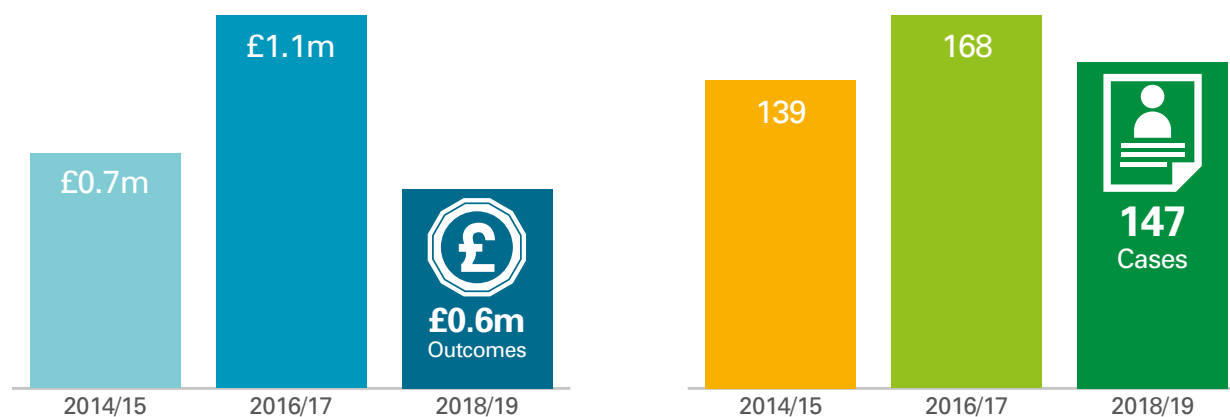
Total outcomes
in 2018/19 exercise

100%

Recovery action
is taking place

147

Cases



The 2018/19 NFI exercise has resulted in 147 creditor outcomes of £0.6 million compared to 168 outcomes worth £1.1 million in 2016/17. Recovery action is taking place for 100% of these overpayments.

Creditor data is matched to:



Creditor data



Payroll



Payments to residential care homes

The NFI identifies cases where a care home resident has died, but the council may not have been notified and so continue to make payments.

£0.4 million

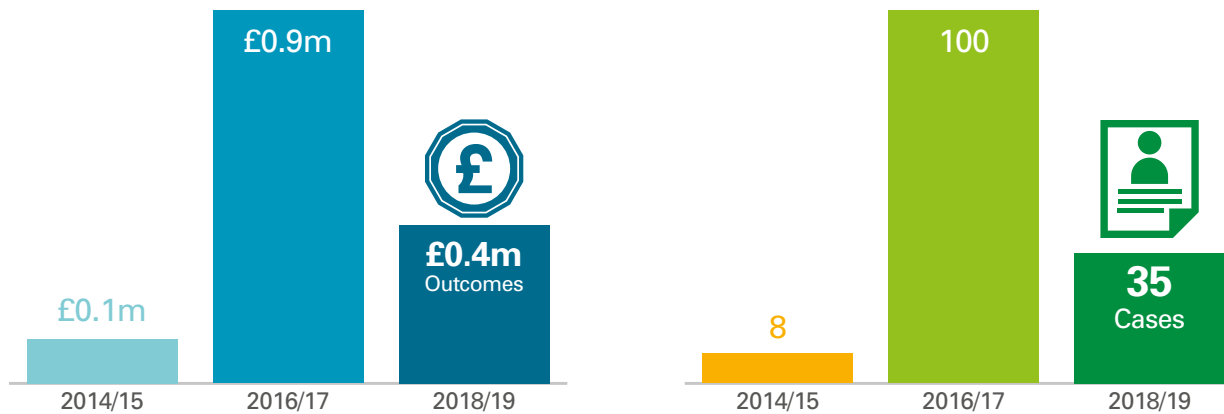
Total outcomes
in 2018/19 exercise

71%

Overpayments are being
recovered

35

Cases



Councils have identified 35 cases of overpayments valued at £0.4 million to care providers for residents who have died.

71 per cent of these overpayments are being recovered.

Despite the number of overpayments having fallen since 2016/17, the average value of overpayment has risen from £8,651 to £10,500.

Residential care home data is matched to:



Deceased persons



Amberhill data



Council tax reduction

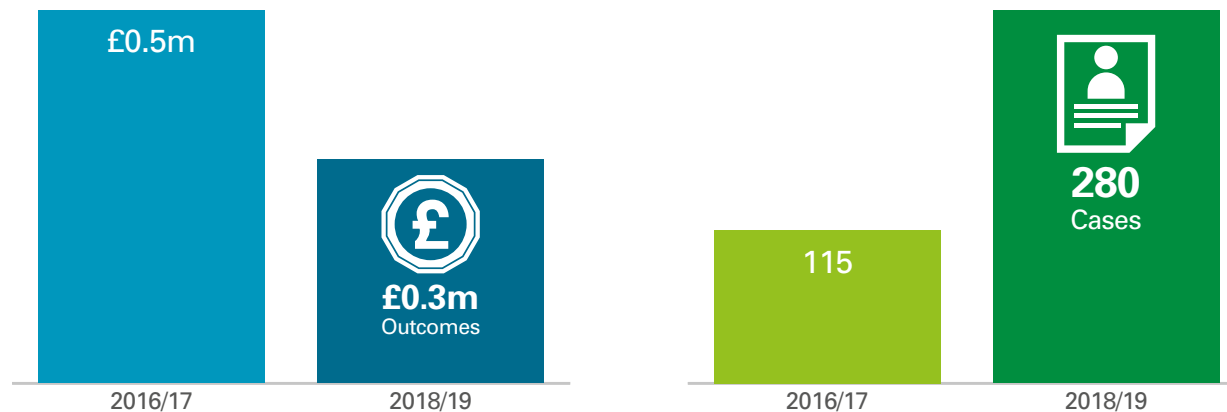
Council tax reduction helps those on low incomes to pay their council tax bills. The NFI provides councils with the opportunity to identify a range of council tax reduction frauds and errors.

£0.3 million

Total outcomes in 2018/19 exercise

280

Cases



The 2016/17 NFI was the first time council tax reduction data sets were included within the NFI.

Outcomes of £0.3 million were identified in the 2018/19 NFI, a fall of £0.2 million from the £0.5 million reported in 2016/17.

Councils have identified more than double the number of cases in 2018/19 but each with a smaller value, suggesting fraud and error is being picked up more quickly.

Council tax reduction data is matched to:



Council tax reduction



Payroll



Pensions payroll



Housing benefits



Housing tenants



Right to buy (in England)



Licences



Deceased persons



Amberhill data



Other data matches

Payroll

£20,000

Total outcomes in
2018/19 exercise

8

Cases

The NFI also matches all participating bodies' employee payroll data as well as those of MSPs and councillors in order to identify cases of potential payroll fraud. The 2018/19 NFI identified eight cases valued at £20,000 compared to 13 cases valued at £0.1 million in the 2016/17 exercise.

Student awards

£50,000

Total outcomes in
2018/19 exercise

2

Case

The NFI provides the Student Awards Agency Scotland (SAAS) with matches identifying cases where individuals may not be eligible for student funding, for example, through identity fraud. The 2018/19 NFI exercise only identified two outcomes, a reduction of 3 from the 2016/17 exercise.

Past NFI exercises have identified larger outcomes in both payroll and student awards. This is partly due to immigration data not being included in the 2018/19 exercise.

Case study

Student Award Agency Scotland (SAAS)



An individual applied for student funding with a counterfeit Slovakian identity card. The applicant was awarded a tuition fee loan of £5,500.

The applicant was arrested, and facial recognition software identified a second false identity that had also been used by this individual.

The applicant made a full admission and is currently being detained in prison. It is expected that they will be deported from the UK following completion of their 12 month prison sentence.

4. Process

Matches benefiting other public bodies

One key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. Data provided by Scottish participants for the 2018/19 NFI exercise helped other public bodies, both within and outwith Scotland, to identify 884 outcomes worth £1.7 million. This is an increase of £0.6 million from 2016/17.



Local government

£854,760

415



Central government

£759,879

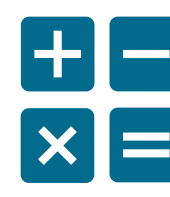
388



NHS

£120,408

75



Colleges

£12,672

6



Total

£1,747,719

884

2016/17

£520,948

232

2016/17

£438,206

254

2016/17

£155,566

77

2016/17

£7,073

5

2016/17

£1,121,793

568

Most of these outcomes relate to housing benefits, housing waiting lists and council tax reductions where, for example, payroll data from a health board may allow a council to identify a housing benefit overpayment.

Matches

For those public bodies taking part in the NFI which may not always identify significant outcomes from their own matches, it is important to appreciate that other bodies and sectors may do so.



Costs and benefits of participating in the NFI



£123,000+

Average outcome for each public body in Scotland for the 2018/19 NFI



£120 – £30,000

Estimated costs of NFI to public bodies



£213,750





Audit Scotland costs

Audit Scotland funds the cost of the NFI system and the biennial data matching for Scottish public-sector bodies

Participating bodies incur costs following up and investigating matches. Participating bodies also incur costs for pilot work and additional services such as the AppCheck¹ pre-application screening.

Many bodies do not keep separate records for NFI costs as it is just one of many counter-fraud activities they are doing. Those that did have records were able to estimate that their costs ranged from £120 to £30,000. This compares favourably with the average outcome for each public body in Scotland of over £123,000 for the 2018/19 NFI.

Overall, the £15.3 million of outcomes from the 2018/19 NFI outweigh the costs.

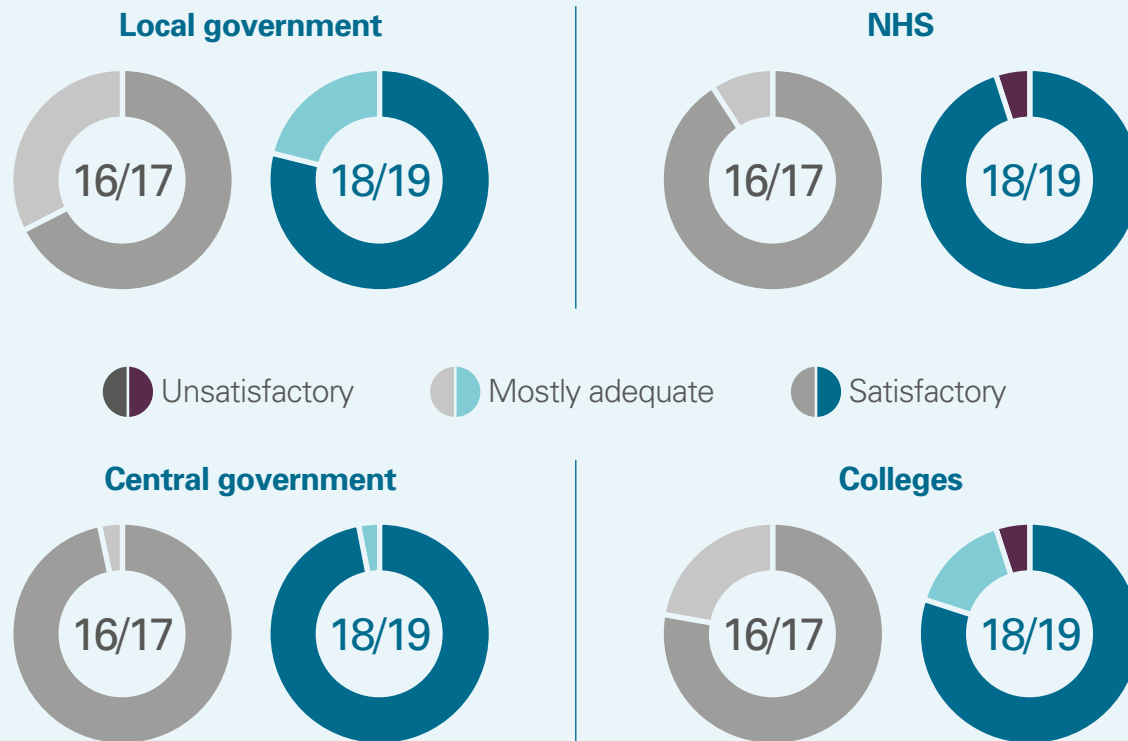
	No. of bodies reported	Cost range
 Local government	●●●● 4	£10,000 – £30,000
 NHS	●●●●●●●● 8	£120 - £6,000
 Central government	●●●●●●●●●● 10	£400 - £10,179
 Colleges	●●●●●●●● 7	£150 - £10,000

Note: 1. Appcheck is a data matching service used at point of applications for a service or benefit.

How bodies work with the NFI


External auditor review of NFI arrangements

A higher percentage of participating public bodies managed their roles in the 2018/19 NFI exercise satisfactorily compared to the 2016/17 NFI exercise.



Auditors reviewed each body's planning and progress with the NFI, and provided recommendations for improvement where appropriate.

Some bodies could be more pro-active in their approach to the NFI. All colleges were included in the 2018/19 exercise for the first time. Three colleges only submitted data after receiving several prompts from auditors. They cited resourcing and IT issues as the reasons. One of these colleges did not subsequently review any matches it received.

We recommend that all bodies use [our checklist](#)  to self-appraise their involvement in the NFI before and during the 2020/21 NFI exercise.

NFI pilot activity – non-domestic rates

A **pilot** was undertaken with the Scottish Government and seven Scottish councils in order to help identify businesses inappropriately claiming Small Business Bonus Scheme (SBBS) relief. The SBBS assists small businesses in Scotland to pay their rates.

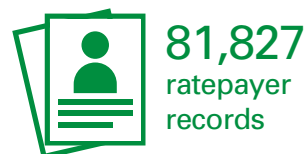
The seven participating councils provided 81,827 ratepayer records which were matched across councils and with data from Companies House in order to identify SBBS fraud. The pilot identified £412,974 in incorrect awards being identified.

If similar levels of incorrect awards were identified across all Scottish councils, the extrapolated value could be in the region of £1.9 million.

Some system weaknesses were also identified, and recommendations have been issued for improvements where appropriate.

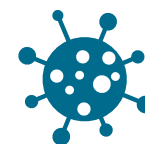
Due to the success of this pilot, the Scottish Government is considering a national roll-out of this data matching exercise across all Scottish councils.

Small Business Bonus Scheme fraud



£412,974
incorrect awards identified

Future developments



The Covid-19 pandemic and the resulting emergency support packages have led to a greater risk of fraud.

Audit Scotland has been working with the Cabinet Office to identify, develop and promote data matching facilities to help address some of this increased fraud risk. Work will continue in this area into the 2020/21 NFI exercise.



The 2020/21 NFI is due to start in late summer 2020. Data sets have been reviewed following a period of consultation with participants.



Audit Scotland continues to work with the Cabinet Office in developing new ways to prevent and detect fraud. This includes piloting new data matching in respect of NHS patient prescription exemptions.




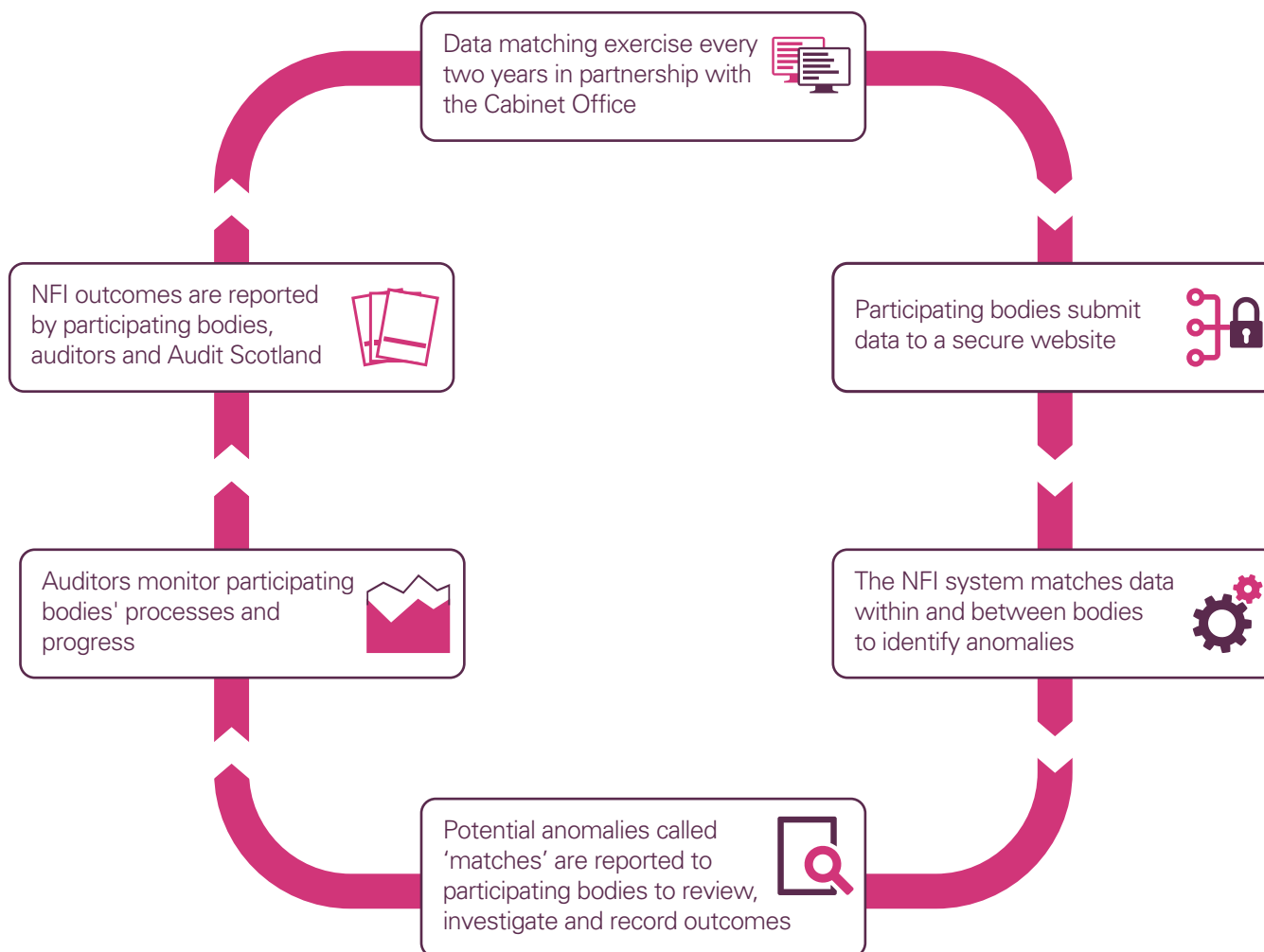
Audit Scotland continues to work with the Scottish Government in promoting and enhancing participation in the NFI across Scotland.

Appendix 1. Background to the NFI

The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Cabinet Office oversees it and Audit Scotland leads the exercise in Scotland, working with a range of Scottish public bodies and external auditors. The NFI takes place every second year.

The NFI enables public bodies to use computer data matching techniques to detect fraud and error.

We carry out the NFI process under powers in The Criminal Justice and Licensing (Scotland) Act 2010. It is important for all parties involved that this exercise is properly controlled and data handled in accordance with the law. The Audit Scotland [Code of Data Matching Practice](#)  includes a summary of the key legislation and controls governing the NFI data matching exercise.



Appendix 2. Estimation bases

The figures used in this report for fraud, overpayments and errors include outcomes already delivered (actual amounts participants have recorded) and estimates. Estimates are included where it is reasonable to assume that incidents of fraud, overpayments and errors would have continued undetected without NFI data matching.

Details of estimate calculations used in the report are shown below.

Data match	Basis of calculation of estimated outcomes
Council tax single person discount	Annual value of the discount cancelled multiplied by two years.
Housing	£93,000 per property recovered, based on average four-year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
Housing benefit	Weekly benefit reduction multiplied by 21 weeks.
Pensions	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Payroll	£5,000 for each employee who is dismissed or resigns as a result of NFI matching, or £10,000 for each resignation or dismissal for employees who have no right to work in the UK.
Council tax reduction scheme	Weekly change in council tax discount multiplied by 21 weeks.
Housing waiting lists	£3,240 for each case based on the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property.
Residential care homes	Weekly cost of residential care multiplied by 14 weeks.
Social care/personal budgets	Monthly social care payment multiplied by three months. Monthly reduction in personal budget payment multiplied by three months.
Blue badges	Number of badge holders confirmed as having died multiplied by £575 to reflect lost parking and congestion charge revenue.
Other immigration	£50,000 for someone removed from the UK.

National Fraud Initiative 2018/19

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along with a podcast summary at:

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