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## NORTH AYRSHIRE COUNCIL

25 September 2018

### Audit and Scrutiny Committee

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**Title:** National Fraud Initiative (NFI) in Scotland 2016/17

**Purpose:** To advise the Committee of the outcome of the NFI exercise

**Recommendation:** That the Committee notes the outcome.

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## 1. Executive Summary

- 1.1. Audit Scotland has recently published its review of the latest biennial National Fraud Initiative (NFI). This is available at:

[http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr\\_180705\\_national\\_fraud\\_initiative.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180705_national_fraud_initiative.pdf)

- 1.2. Participation in the NFI by North Ayrshire Council is co-ordinated by the Corporate Fraud Team with matches investigated by the appropriate teams across the Council.
- 1.3. Investigation of the 2016/17 data match was concluded early in 2018.  
Backdated financial recoveries in relation to Council Tax Reduction (CTR) and Single

## 2. Background

### Background to the NFI

- 2.1. The NFI is a major counter-fraud exercise carried out across the UK every 2 years. Participating bodies provide certain sets of data which are compared and anomalies highlighted for investigation. The exercise is co-ordinated across the UK by the Cabinet Office and in Scotland by Audit Scotland under powers in the Criminal Justice and Licensing (Scotland) Act 2010.

- 2.2. The NFI in Scotland is well-established with this being the sixth biennial exercise.

It remains the largest fraud detection and prevention scheme that can provide data matches within and between public bodies. The key features are that it:

- Acts as a deterrent to potential fraudsters
- Identifies fraud and error enabling action to be taken
- Can provide assurances that systems are operating well or identify where system improvements may be required
- Operates across boundaries

- 2.3. Potential inconsistencies or 'data matches' are identified by comparing data sets. A data match does not automatically mean there is fraud or error but further investigation is required to enable the correct conclusion to be drawn. Participating bodies then record the outcomes on a secure web application.

### Results of the 2016/17 NFI exercise

- 2.4. 113 Scottish public sector bodies participated in the 2016/17 NFI exercise with almost 657,000 recommended matches for further investigation. Matches are flagged with different priorities depending on the likelihood of fraud and error and it is up to individual bodies to decide which matches to investigate.
- 2.5. The value of fraud and error identified as a result of the 2016/17 NFI exercise in Scotland is £18.6million; the total since the NFI started is now £129.2million in Scotland and £1.69billion across the UK.
- 2.6. Eight areas generated about 95% of the NFI outcomes in Scotland:
- Occupational pensions
  - Blue Badges
  - Council Tax discounts
  - Benefit payments
  - Creditor payments
  - Private Care home residents' payments
  - Payroll outcomes
  - Student funding applications
- 2.7. The NFI also offers additional services to help identify and prevent fraud and error. This includes the NFI 'AppCheck' which helps public bodies to check applications and validate the information provided. This is one of the systems checked by the Corporate Fraud Team during the investigation of referrals and can be useful in tracing those who may have moved outwith North Ayrshire.

- 2.8. Participation in the NFI by North Ayrshire Council is co-ordinated by the Corporate Fraud Team with matches investigated by the appropriate teams across the Council. Investigation of the 2017 data match was concluded during 2017/18.
- 2.9. There were over 5,500 matches from the main matching exercise, with 1,203 recommended for investigation and just over 2,000 actually investigated. One fraud and two errors were identified.
- 2.10. In addition, the 'flexible matching service' provides additional matches relating to Council Tax. A further 677 matches were investigated, identifying 48 frauds and 15 errors.
- 2.11. In total, backdated financial recoveries of over £67,000 were achieved for the Council.

#### How Public Bodies work with the NFI

- 2.12. Audit Scotland has concluded that 83% of participating public bodies managed their roles in the 2016/17 exercise satisfactorily. This included North Ayrshire. All bodies have taken appropriate action where fraud was alleged.
- 2.13. The Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee published a report on the NFI which concluded that it has been a success story in Scotland. The committee outlined several recommendations for ways in which the NFI could be strengthened including raising awareness and considering other public bodies which could be involved.

#### Future Developments

- 2.14. The 2018/19 NFI exercise will start in Autumn 2018 with the submission of data sets for matching. The 2018/19 exercise will continue with the batch data matches as well as the flexible matching service. The data sets included within the NFI are being reviewed with a view to adding more.
- 2.15. Audit Scotland's Code of Data Matching Practice has been reviewed and updated to ensure compliance with data protection changes introduced by the General Data Protection Regulation (GDPR) and the Data Protection Act 2018.

### 3. Proposals

- 3.1. It is proposed that the Audit and Scrutiny Committee notes the content of the Audit Scotland report on the 2016/17 NFI exercise.

### 4. Implications

<b>Financial:</b>	None
<b>Human Resources:</b>	None
<b>Legal:</b>	None
<b>Equality:</b>	None
<b>Children and Young People:</b>	None
<b>Environmental &amp; Sustainability:</b>	None
<b>Key Priorities:</b>	The work of the Corporate Fraud Team, including participating in the NFI, helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
<b>Community Benefits:</b>	None

### 5. Consultation

- 5.1. No consultation has been required in the preparation of this report.



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For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

### Background Papers

None