

Agenda Item	9
Report No	AC/13/25

Committee: **Audit Committee**

Date: **28 May 2025**

Report Title: **National Fraud Initiative Planning and Progress Report 2024/25**

Report By: **Strategic Lead (Corporate Audit)**

1. Purpose/Executive Summary

- 1.1 This report provides details of the work undertaken in planning for and carrying out the NFI 2024/25 exercise.

2. Recommendations

- 2.1 Members are asked to:
- i. **Consider, comment** upon and **note** the work in progress to support the NFI 2024/25 exercise.
 - ii. **Consider** and **agree** the NFI in Scotland Self-appraisal checklist at **Appendix 1** for those charged with governance (NB the Audit Committee).
 - iii. **Consider** the NFI in Scotland Self-appraisal checklist at **Appendix 2** provided by the Key Contact.

3. Implications

- 3.1 **Resources** – No additional resources are provided to investigate the significant volume of matches, and this must be managed and prioritised by individual Services.
- 3.2 **Risk** - Participating in the NFI exercise assists the Council in addressing/ reducing the risk of fraud or error in the payments made to individuals.
- 3.3 There are no Legal, Health and Safety or Gaelic implications arising from this report.

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is an update report and therefore an impact assessment is not required.

5. NFI 2024/25 work in progress

- 5.1 The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland and overseen by the Public Sector Fraud Authority for the UK as a whole. It uses computerised techniques to compare information held by different public bodies and on different financial systems, to identify matches that might suggest the existence of fraud or error. The exercise results in a high volume of individual matches across a wide variety of areas that require further investigation and verification to eliminate false positives and narrow down any potential fraud cases. Delivery of the NFI is dependent upon Council staff within Services prioritising the investigation and completion of matches alongside the delivery of their existing Service duties and within available resources.

Each Council is required to provide a "Key Contact" for the NFI and this role is undertaken by the Corporate Audit Manager. The role includes:

- Acting as the main liaison for the NFI between the Highland Council and the Cabinet Office NFI team, Audit Scotland and other public sector organisations.
- Planning and coordinating the secure upload of required datasets to the NFI portal. Ensuring that data is submitted in the correct format and within the specified deadlines.
- Setting up and administering Highland Council NFI Users. Ensuring relevant staff have access to the correct areas of the NFI web application, know where to access the NFI guidance and are aware of their responsibilities.
- Overseeing the review of data matches returned by the NFI. Allocating matches for investigation to appropriate Council staff. Liaising with Council staff to help ensure timely completion of match investigation.
- Overseeing the closure of NFI matches where match investigation has been concluded.
- Attending NFI training/events held by the Cabinet Office NFI team and Audit Scotland.
- Promoting awareness of the NFI within Highland Council.

The Highland Council provided the data sets for the 2024/25 exercise, and these were returned and made available for review and investigation in December 2024. All matches for investigation have been assigned to appropriate Council staff to investigate and work is underway to complete these.

- 5.2 Out with the NFI the Council had progressed arrangements to examine potential council tax fraud using Experian data matching to identify where other undeclared

adults are living in the household where benefits or discounts have been awarded. Revenues and Customer Services have confirmed that planned work on this year's Single Person Discount matches had been carried out with 10,314 of the 13,464 Single Person Discounts on this year's match already being reviewed and with either discounts being cancelled or found to be correct (77% complete). Four cases required further clarification and the remaining 3,146 (23%) will be included in the next review which will commence in Q1 2025/26. The NFI database will be updated again once this has been completed.

The above work is being undertaken as part of the Data & Digital Solutions workstream within the Corporate Solutions Portfolio of the Operational Delivery Plan. Progress with the workstream and the outcomes achieved is regularly reported to the Corporate Resources Committee.

Benefit claim matches are routinely being investigated through up-to-date intelligence exchanges between the Council and DWP. These matches are a mix of regular monthly matches and real time matches. This year's NFI match types will be reviewed to provide further assurance that these are covered by our existing intelligence processes. If there are any where these are not already covered, the NFI matches will be considered for completion.

6. National Fraud Initiative in Scotland Self-appraisal checklist

- 6.1 In preparation for the 2024/25 NFI exercise, the Self-Appraisal Checklist has been completed to inform our planning and the approach to be undertaken. See **Appendix 1** and **Appendix 2** for details.

Designation: Strategic Lead (Corporate Audit)

Date: 6 May 2025

Author: Jason Thurlbeck, Corporate Audit Manager

Background Papers: N/A

Appendices:

Appendix 1 – NFI Self-Appraisal checklist – Part A: For those charged with governance

Appendix 2 – NFI Self-Appraisal checklist – Part B: for Key Contact and users

Appendix 1 - National Fraud Initiative in Scotland Self-appraisal checklist – Part A

Part A: For those charged with governance	Evidence	Yes /No /Partly	Is action required?	Who by and when?
Leadership, commitment and communication				
1. Are we aware of emerging fraud risks and have we taken appropriate preventative and detective action?	<p>The Council acknowledges the threats of fraud and corruption through its Code of Conduct, Financial Regulations, Counter Fraud Policy and Whistleblowing Policy.</p> <p>In June 2024, the Audit Committee reviewed and approved an updated Counter Fraud Policy and received the Fraud and Whistleblowing 2023/24 Annual Report on activity throughout the year including the results of a self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The Audit Committee receives regular progress reports on internal audit and counter fraud activity and received the latest NFI report published by Audit Scotland in September 2024.</p> <p>Following an audit review of overpayments of payroll, management have provided periodic updates to the Audit Committee detailing the action undertaken to address the audit concerns.</p> <p>The Strategic Lead (Corporate Audit) also ensures that details of any frauds published in respect of other Councils are shared with the Committee and considers whether there are any lessons that should be learned. As an illustration, the Audit Scotland report relating to the Council Tax refund fraud that occurred in Aberdeen City has been subject to audit review.</p> <p>The Council's External Auditors also consider fraud risks and report accordingly to the Committee.</p>	Yes	No	-
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>The Council has committed resources to carrying out the NFI. Information on the NFI is published on the Council website, link: https://www.highland.gov.uk/info/591/council_and_government/458/fraud_and_irregularities/3</p>	Yes	No	-

3. <i>Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error. And do we make reference to NFI in our governance codes and statements?</i>	Yes, as set out at 1 above. The Counter Fraud Policy references that the Council may share information with other authorities and agencies for the purposes of preventing and detecting fraud. This includes participation in the NFI.	Yes	No	-
4. <i>Does our Key Contact have sufficient authority and time to ensure that NFI is delivered effectively?</i>	<p>The Corporate Audit Manager undertakes the role of Key Contact and time is allocated to carry out this role. The Corporate Audit Manager reports to the Strategic Lead (Corporate Audit) who is a member of the Council's Corporate Management Team. The Internal Audit Charter approved by the Audit Committee in February 2025 sets out that Strategic Lead's position provides the authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference and supports the Internal Auditors' ability to maintain objectivity.</p> <p>However, there remains a dependency on the provision of staffing resources in Services to carry out and investigate matches.</p>	Yes	No	-
5. <i>Has the approach to follow up of different NFI match types been clearly set out and reported as part of the bodies NFI planning process?</i>	<p>The approach is set out at section 5 of the attached report.</p> <p>Progress on NFI exercises is detailed in regular progress reports to the Audit Committee. The outcomes at the end of each exercise is reported once concluded and the Audit Scotland national report published.</p>	Yes	No	-
6. <i>Are NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?</i>		Yes	No	-
7. <i>Where we have not submitted data or used the matches returned to us (eg, council tax single person discounts), are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?</i>	This information is reported to Committee. See example for the current exercise in section 5.2 in respect of Council Tax Single Person Discounts.	Yes	No	-

8. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	The Corporate Audit Manager is Key Contact for the NFI and monitors the completion of matches and outcomes. The Corporate Audit Manager manages the Internal Audit and Fraud Team, and this affords the opportunity to identify potential opportunities to improve control and draw these to management's attention.	Yes	No	-
9. Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes, system weakness reviews are undertaken where frauds or significant control weaknesses were identified in order to identify areas where internal controls should be improved. Such reports are scrutinised by the Audit Committee.	Yes	No	-
10. Do we need and have access to fraud investigation officers to enable frauds to be followed up fully?	The Corporate Audit Team within its complement has two dedicated officers who carry out fraud investigations this can be supplemented with Internal Audit staff should the need arise.	Yes	No	-
11. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	The Audit Committee Papers are published on the Council website. This includes the annual fraud and whistleblowing report.	Yes	No	-

Appendix 2 - National Fraud Initiative in Scotland Self-appraisal checklist – Part B

Part B: For NFI Key Contact and users	Evidence	Yes /No /Partly	Is action required?	Who by and when?
Planning and Preparation				
1. Are we aware of emerging fraud risks and taken appropriate preventative and detective action?	The Council has in place well publicised arrangements for reporting frauds supported by the Financial Regulations, Counter Fraud Policy and Whistleblowing Policy. The Corporate Audit Team routinely gathers intelligence on emerging fraud risks through professional memberships and sector specific peer groups (Institute of Internal Auditors, CIPFA, Scottish Local Authority Chief Internal Auditors Group and Scottish Local Authority Investigators Group) and through liaison with the Police and other public sector fraud teams. The Corporate Audit Team also attend relevant seminars and review published reports of frauds (e.g. Audit Scotland reports). Intelligence gathered is incorporated into the review and improvement of the control environment which assists in the prevention and detection of fraud.	Yes	No	-
2. Are we investing sufficient resources in the NFI exercise?	Council staff within Services prioritise the investigation and completion of matches alongside the delivery of their existing Service duties and available resources.	Yes	No	-
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 and being clear about the approach to follow up of different match types.	The Key Contact planned for data submission by coordinating with key users (Council staff) the extraction and submission of data sets for the NFI. The Key Contact also liaises with Council staff that have roles to investigate NFI data matches and sets up new users to ensure that data matches can be investigated.	Yes	No	-
4. 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?	The Key Contact also liaises with Council staff that have roles to investigate NFI data matches and sets up new users to ensure that all data matches can be investigated. The Key Contact has allocated all matches to appropriate staff for investigation.	Yes	No	-

5. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes.	Yes	No	-
6. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes, this is planned. However, this year we did experience a small delay in the submission of one data file, where the initial data upload file was incorrect and required investigation with the IT system's supplier to resubmit. We consulted with the Cabinet Office NFI team to resolve the issue.	Yes	No	-
Effective follow up of matches				
7. Do all departments involved in NFI start the follow up of matches promptly after they become available?	The NFI exercise results in a high volume of individual matches across a wide variety of areas that require further investigation and verification to eliminate false positives and narrow down any potential fraud cases. This work is carried out by Council staff alongside the delivery of their existing Service duties.	Yes	No	-
8. 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?	Council staff within Services prioritise the investigation and completion of matches alongside the delivery of their existing Service duties and available resources.	Yes	No	-
9. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Council staff within Services are allocated matches for investigation in accordance with area of professional responsibility and expertise. Investigation of the circumstances of matches is carried out by these staff, and they are provided with access to the NFI guidance to inform their understanding and approach.	Yes	No	-
10. Are we drawing appropriately (in health bodies) on the help and expertise available from NHS Scotland Counter Fraud Service?	Where required. The Corporate Fraud Team has previously liaised with the NHS Scotland Counter Fraud Service where concerns had been raised however this was not directly linked to the NFI.	Partly	No	-

11. 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?	<p>The Financial Regulations require where officers are aware of, or suspect that fraud has been committed, that the Strategic Lead (Corporate Audit) must be contacted in accordance with the requirements of Financial Regulations. Whenever any matter arises which involves, or is thought to involve any suspected irregularities, the Senior Officer concerned will immediately notify the Strategic Lead (Corporate Audit). The Strategic Lead (Corporate Audit) will take such steps as are considered necessary to investigate and report any such matters.</p> <p>Following investigations, further action that might be taken will include recommending disciplinary investigations, instigating recovery action and reporting directly to the Police or Procurator Fiscal.</p>	Yes	No	-
12. Do we deploy resources in proportion to risks, and scale down work on match reports where early work has not found any fraud or error?	Council staff within Services are allocated matches for investigation in accordance with area of professional responsibility and expertise. Council staff within Services prioritise the investigation and completion of matches alongside the delivery of their existing Service duties and available resources.	Yes	No	-
13. 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	No	-
14. Overall, are we deploying appropriate resources on managing the NFI exercise?	The Corporate Audit Manager acts as Key contact for the NFI. Corporate Fraud Team resources are used where appropriate to facilitate review of some specific areas of the NFI. Council staff within Services must prioritise the completion of matches alongside the delivery of their existing duties and within available resources.	Partly	No	-
Recording and reporting				
15. Are we recording outcomes properly in the secure website and keeping it up to date?	Results of investigative work is recorded by Council staff set up as NFI users against matches on the NFI secure website. All have been provided with access to the NFI guidance to inform how they record outcomes.	Yes	No	-

<p><i>16. Do staff use the online training modules and guidance on the secure website, and do they consult the Cabinet Office NFI team if they are unsure about how to record outcomes (to be encouraged)?</i></p>	<p>The Corporate Audit Manager as Key Contact has regularly attended NFI training/events held by the Cabinet Office NFI team and also Audit Scotland. Staff carrying out the investigation of matches are setup as NFI users and have access to the NFI guidance. The Corporate Audit Manager also liaises with Council staff that have roles to investigate NFI data matches and attends NFI meetings with Audit Scotland and raises any queries with the NFI helpdesk.</p>	<p>Yes</p>	<p>No</p>	<p>-</p>
<p><i>17. If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform Audit Scotland and the Cabinet Office NFI team about these outcomes?</i></p>	<p>N/A</p>	<p>N/A</p>	<p>No</p>	<p>-</p>