The Highland Council

Agenda Item	**7**
Report No	**AC/24/26**

Committee: **Audit Committee**

Date: **11 November 2026**

Report Title: **The National Fraud Initiative in Scotland 2026**

Report By: **Strategic Lead (Audit & Risk)**

1. Purpose/Executive Summary

1.1 This presents the latest National Fraud Initiative (NFI) report published by Audit Scotland in August 2026 and highlights the key messages. This report, copy at **Appendix 1**, outlines the outcomes from the 2026 NFI exercise.

2. Recommendations

2.1 Members are asked to:

i. **Consider** and **note** the Audit Scotland NFI report at Appendix 1,
ii. **Note** the key messages and the associated commentary set out in section 6 of this covering report,
iii. **Consider** and **agree** Part A, and **note** Part B of the checklist at Appendix 2.

3. Implications

3.1 Resource – no additional resources are provided to investigate the significant volume of matches, and this must be managed and prioritised by individual Services. However, guidance is provided to ensure that staff resources are targeted at the high risk matches and that the most effective process is followed.

3.2 Legal – there are no direct implications arising from this report.

3.3 Community (Equality, Poverty and Rural) – there are no direct implications arising from this report.

3.4 Climate Change/ Carbon Clever – there are no direct implications arising from this report.

3.5 Risk – participating in the NFI exercise assists the Council in addressing/ reducing the risk of fraud or error in the payments made to individuals. The nature of this work means that this has resource implications for staff as outlined above.

3.6 Health and Safety (risks arising from changes to plan, equipment, process or people) – there are no implications arising from this report.

3.7 Gaelic – there are no 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. Background

5.1 The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. It uses computer data matching techniques to detect possible cases of fraud and error. The data matching 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 potential fraud cases. This investigation work is carried out by Council staff within Services alongside their existing duties.

Audit Scotland lead and report upon the exercise across Scotland which is undertaken every two years. This report relates to outcomes arising from the 2024/25 matches which was reported in August 2026.

6. Key messages from the report

6.1 The key messages are set out in page 4 of the report and can be summarised as follows:

1. The NFI is vital at a time of ongoing financial pressures, assists with deterring fraud and can provide wider assurance that controls are working effectively.
2. The 2024/25 data matching exercise identified £21.7 million in outcomes. This was a slightly lower amount compared to the previous exercise and is attributed to the reduced number of housing benefit recipients and the associated savings. However, the exclusion of housing benefits shows an increase in the identified outcomes.
3. Delivery of the NFI is improving but there is still some scope for timelier and better focussed follow up of matches.

6.2 The report contains 4 recommendations which are detailed below. Commentary is also provided below in italics on the action taken within Highland Council to address these.

1. Use the NFI Self-Appraisal Checklist as part of planning for the 2026/27 exercise, and ensure the planned approach is clearly articulated and optimises the use of available resources to address risks and maximise savings.

   The Key Contact (Corporate Audit Manager) has completed the 2026/27 NFI Self-Appraisal Checklist to inform the approach to the 2026/27 NFI exercise. The self-assessment has identified that appropriate arrangements are in place or planned for all areas. The completed checklist is provided at Appendix 2.

2. Review payroll to payroll matches as soon as reports become available and follow up all full-time to full-time matches immediately.

   The self-assessment has noted that Payroll staff will commence investigation of matches as resources permit and alongside normal duties. There is a risk that for the 2026/27 NFI exercise the available resources may be impacted due to the implementation of a new HR Payroll system in 2027.

3. Put in place arrangements for regular monitoring of follow-up activity and, where necessary, seek to understand reasons for low or nil outcomes.

   The Key Contact monitors completion of match investigation and follows up with Services where required. Low outcomes in previous NFI exercises have been recognised as potentially reflecting poor match quality, match timing and already known issues as well as confirmation of existing controls.

4. Address any NFI delivery issues raised by auditors in their annual audit reports.

   No issues were reported in the 2025/26 annual audit report which is a separate agenda item.

In progressing the Highland Council arrangements for the NFI 2026/27 exercise, the Key Contact will seek to best coordinate available resources to investigate key match areas. Throughout the exercise progress in completing matching activity will be monitored with an emphasis on understanding any reasons for low or nil outcomes.

6.3 Limited outcomes were identified from the Highland Council matches investigated as part of the 2024/25 exercise:

- One invoice for £19,437.11 was paid to the wrong supplier and this is presently being recovered.
- Two pensions overpayments for deceased individuals totalling £11,061.19. One has been fully recovered and for the 2nd, the final instalment is being recovered.

7. 2026/27 exercise

7.1 Preparation for the 2026/27 NFI exercise has commenced with datasets being gathered and submitted at the end of October 2026. During December 2026 the Key Contact will review user's accounts to ensure Services have staff ready for carrying out investigation of the matches. The matches will be released and made available to users in the NFI system on 18 December 2026. The Key Contact will then allocate matches to Service users so that they can commence investigating these.

It is expected that Audit Scotland will report upon the outcomes of this exercise in August 2028.

7.2 Audit Scotland have recently updated their Code of data matching practice. This has been reviewed and refreshed to:

- make reference to The Digital Government (Scottish Bodies) Regulations 2022 and clarify the UK General Data Protection Regulation (UK GDPR) principles that apply
- include details of the use of NFI data in private sector fraud detection and prevention services
- ensure consistency with current data protection legislation applicable in the UK, including amendments made by the Data (Use and Access) Act 2025.

Designation: Strategic Lead (Audit & Risk)

Date: 19 October 2026

Authors: Donna Sutherland, Strategic Lead (Audit & Risk
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Background Papers: none

Appendices: Appendix 1 – The National Fraud Initiative in Scotland 2026 report
Appendix 2 – NFI Self-appraisal checklist

The National Fraud Initiative in Scotland 2026



AUDIT SCOTLAND

Prepared by Audit Scotland
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Contents

Key facts 3

Key messages 4

Recommendations 5

Introduction 6

1. Overall outcomes 9

2. Delivering and developing the NFI in Scotland 14

3. Analysis by outcome area 18

Appendix 27

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key facts

	127	Organisations mandated to participate in the NFI in Scotland
	1,000+	Organisations participating in the NFI across the UK
	£201m	Cumulative outcomes in Scotland since participation began in 2006/07
Outcomes reported in Scotland – two years to 31 March 2026		
	£6.0m	Overpayments and additional income
	£8.9m	Roll forward estimated savings and additional income
	£6.8m	Notional outcome estimates
	£21.7m	**Total outcomes**
Main areas of saving		
	£4.8m	Pensions
	£4.1m	Council tax single person discounts
	£1.7m	Council tax reduction scheme relief
	£1.1m	Duplicate creditor payments
	£0.8m	Non-domestic rates small business bonus scheme
	£0.6m	Social care payments

Key messages

The National Fraud Initiative (NFI) continues to play a key role in the battle against fraud and error across the public sector in Scotland and the rest of the United Kingdom. Data is matched across a range of systems and between bodies every two years, to identify matches and anomalies worthy of further review and investigation.

1 The NFI remains vitally important at a time of ongoing financial pressures across the public sector. In addition to the monetary outcomes identified by bodies participating, it also helps deter fraud and can provide wider assurance that controls are working effectively.

2 The 2024/25 NFI data matching exercise identified £21.7 million of outcomes. There was a slight fall in overall outcomes when compared to the previous NFI exercise, but this is due mainly to reduced savings from housing benefits as the number of recipients continues to fall. Excluding housing benefits, other outcomes identified by Scottish bodies have increased overall.

3 Delivery of the NFI is improving, with auditors reporting fewer significant issues than in previous exercises. Following up matches plays an important role in supporting the effectiveness of the NFI but, in some cases, there is scope for this to be timelier and better focused. This reflects both the complexity of this work and the availability of staff to support it. We will continue to work with public bodies to support effective and efficient delivery of the NFI through our ongoing engagement activities.

Recommendations

Participating bodies should:

- Use the NFI self-appraisal checklist as part of planning for the 2026/27 exercise, and ensure the planned approach is clearly articulated and optimises the use of available resources to address risks and maximise savings.
- Review payroll to payroll matches as soon as reports become available and follow up all full-time to full-time matches immediately.
- Put in place arrangements for regular monitoring of follow-up activity and, where necessary, seek to understand reasons for low or nil outcomes.
- Address any NFI delivery issues raised by auditors in their annual audit reports.

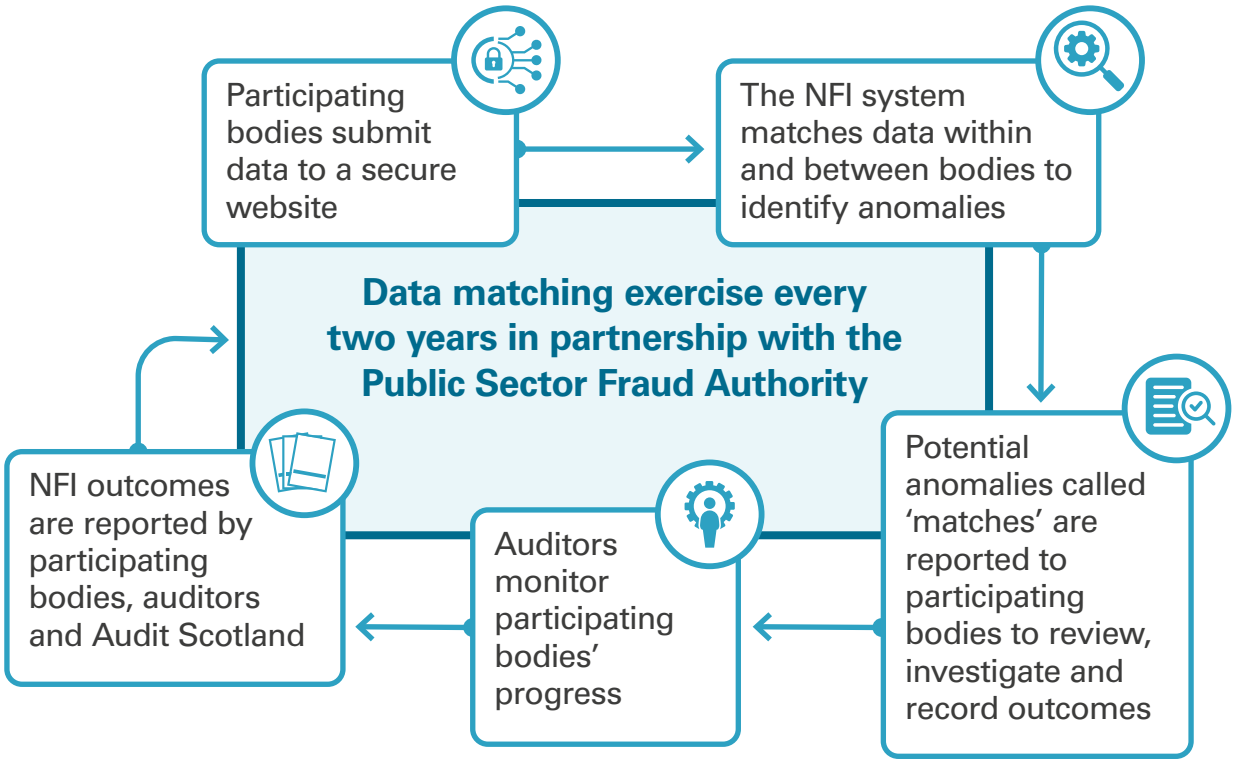
Introduction

The National Fraud Initiative (NFI) enables participating bodies to proactively detect and prevent fraud using data matching. It allows the identification of savings, acts as a wider deterrent, and can also provide assurance that financial controls are working as intended.

The National Fraud Initiative

1. The NFI is a biennial proactive data matching exercise designed to identify and prevent fraud. It remains vitally important during a time of ongoing financial pressure across the public sector. The widespread availability of artificial intelligence also has the potential to support more sophisticated fraud attempts. The Public Sector Fraud Authority (PSFA) leads on the delivery of the NFI in England and facilitates it across the UK. Audit Scotland lead on the delivery of the exercise in Scotland. How the NFI works is outlined in Exhibit 1.

Exhibit 1.
How the biennial NFI exercise works



Source: Audit Scotland

2. The NFI can help identify and prevent a range of fraud, with past successes and ongoing matches acting as an overall wider deterrent. The types of fraud the NFI can help identify and prevent include:

- fraudulent payments of wages and salaries, pensions, and amounts to suppliers
- fraudulent claims for benefits, discounts and reliefs
- tenancy fraud
- fraudulent use of Blue Badges (disabled parking permits) and concessionary travel passes.

The NFI acts as a deterrent and has wider benefits

3. In addition to the monetary outcomes it delivers, the NFI also generates wider benefits which can be more difficult to quantify. These include its fraud deterrent effect, and the assurance it can provide to bodies where no issues are identified (Exhibit 2).

Exhibit 2.
Wider benefits of the National Fraud Initiative



Monetary outcomes

Helps identify and recover substantial sums lost to fraud and error.



Deterrence

Discourages fraud and error through the threat of detection.



Identifying control weaknesses

Highlights areas where fraud prevention controls need to be strengthened.



Providing wider assurance

Demonstrates that robust measures are in place to protect public funds.

Source: Audit Scotland

Statutory basis for the NFI

4. Audit Scotland works with a range of Scottish public bodies and their external auditors using powers introduced by the Criminal Justice and Licensing (Scotland) Act 2010 and incorporated into Part 2A of the Public Finance and Accountability (Scotland) Act 2000. These powers enable personal data to be matched for the purpose of assisting in the prevention and detection of fraud.

5. Audit Scotland is responsible for maintaining a Code of data matching practice which all bodies participating in the exercise subscribe to and observe. The code helps ensure that the exercise is properly controlled, and that data is handled in accordance with the law.

6. The Code of data matching practice is in the process of being updated. The revised version has recently been out for consultation in advance of the next NFI exercise which is due to start with data submission in the autumn of 2026.

Elements of UK-wide data are shared with the private sector to support fraud detection

7. In recent years, and in line with the data sharing principles in the UK Economic Crime Plan, the PSFA has been facilitating search access to the NFI data pool for a number of private sector bodies. This allows it to undertake point of application checks to flag potential fraud, including, for example, highlighting where applicants for services misrepresent their identity or residency.

8. The PSFA considers this to be an appropriate use of the data collected as it contributes to the detection and prevention of fraud in the UK. The outcomes of this work are not allocated or apportioned across different areas of the UK and are not included in the totals within this report.

Bodies that participate in the NFI

9. Audit Scotland has the power to mandate NFI participation of public bodies that are audited by the Auditor General for Scotland and Accounts Commission for Scotland. In 2024/25, we mandated 127 bodies to take part. In addition to mandated bodies many councils also submit payroll data for their arm's-length external organisations (ALEOs) and for Valuation Joint Boards.

10. Across the UK there are around 1,000 bodies participating in the NFI. Data matching takes place across them all. Full details of participating Scottish bodies can be found on the Audit Scotland website.



Reporting NFI results over time

By using GDP deflators to adjust actual overpayments and additional income, and the latest PSFA multipliers to recalculate notional outcomes and estimates, we have adjusted previously reported results into 2024/25 prices. This makes values and trends more comparable over time and, where we use these adjusted figures within this report, we refer to them as real terms.

Details of the PSFA methodology used for the calculation of savings estimates and the notional value of prevented fraud can be found in the Appendix.

1. Overall outcomes

Reported NFI outcomes fell in real terms from £22.1 million to £21.7 million in the most recent exercise, due largely to a fall in housing benefit savings. Excluding housing benefit, other outcomes identified by Scottish bodies increased overall.

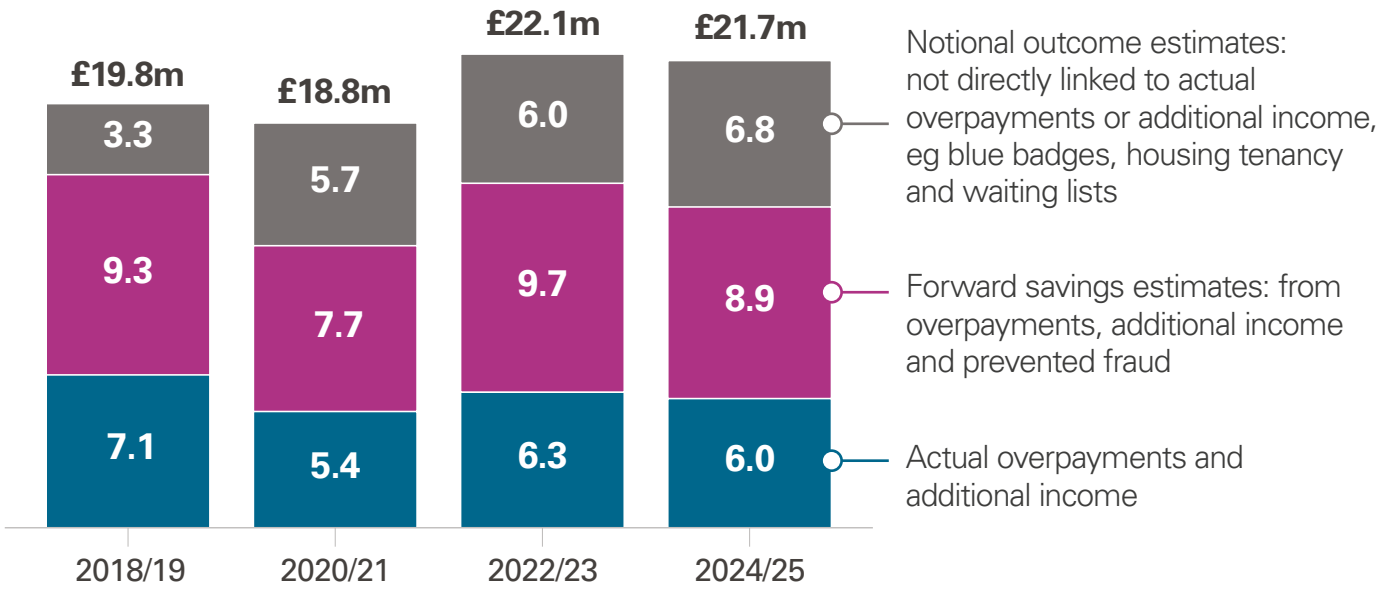
Overall outcomes have fallen slightly in real terms

11. Since participation started in 2006/07, around £201 million of cash outcomes have been reported from the NFI in Scotland. In real terms, outcomes from recent exercises average over £20 million biennially. While outcomes fell by £0.4 million between 2022/23 and 2024/25, the NFI continues to make a positive contribution across the public sector in Scotland (Exhibit 3).

Exhibit 3.

NFI outcomes by exercise and type

In real terms, outcomes reported in 2024/25 fell slightly.



Note on adjustments to prior years: £0.91 million notional outcomes relating to 2020/21 were previously reported for the first time in 2022/23 and these have now been moved to 2020/21. A further £0.35 million of council tax savings has been removed from 2022/23 following clarification that the amount did not arise from NFI activity. £0.18 million of concessionary travel outcomes in 2022/23 have been reclassified from notional to actual.

Source: Audit Scotland analysis of NFI outcomes data

12. Outcomes reported as part of the NFI 2024/25 include £6.0 million of actual overpayments and additional income. Participants estimate that 96 per cent of this, around £5.7 million, is available for recovery and collection directly benefiting participating body finances.

13. Reported outcomes also include £8.9 million of forward savings estimates which may also impact participating body finances. For example, the removal of single person discounts or council tax reduction scheme reliefs has the potential to increase the amount of council tax collectable in future years.

14. Other notional outcomes of £6.8 million are also reported. These are estimates of the value of other fraud and error where amounts are not directly recoverable, collectable or avoided. There may be some indirect impact on participating body finances, for example, through reduced homelessness costs when a tenancy is recovered, or potential for increased income from parking charges if a blue badge is taken out of circulation.

Most outcomes arise from the matching of council datasets, but participants from other sectors have identified duplicate creditor payments and payroll fraud

15. The NFI matches data from a range of service areas, and savings accrue in the main to the bodies responsible for the relevant income and payments streams. Many participating bodies only submit payroll and creditor payments datasets for matching, enabling organisations to identify duplicate payments and payroll fraud.

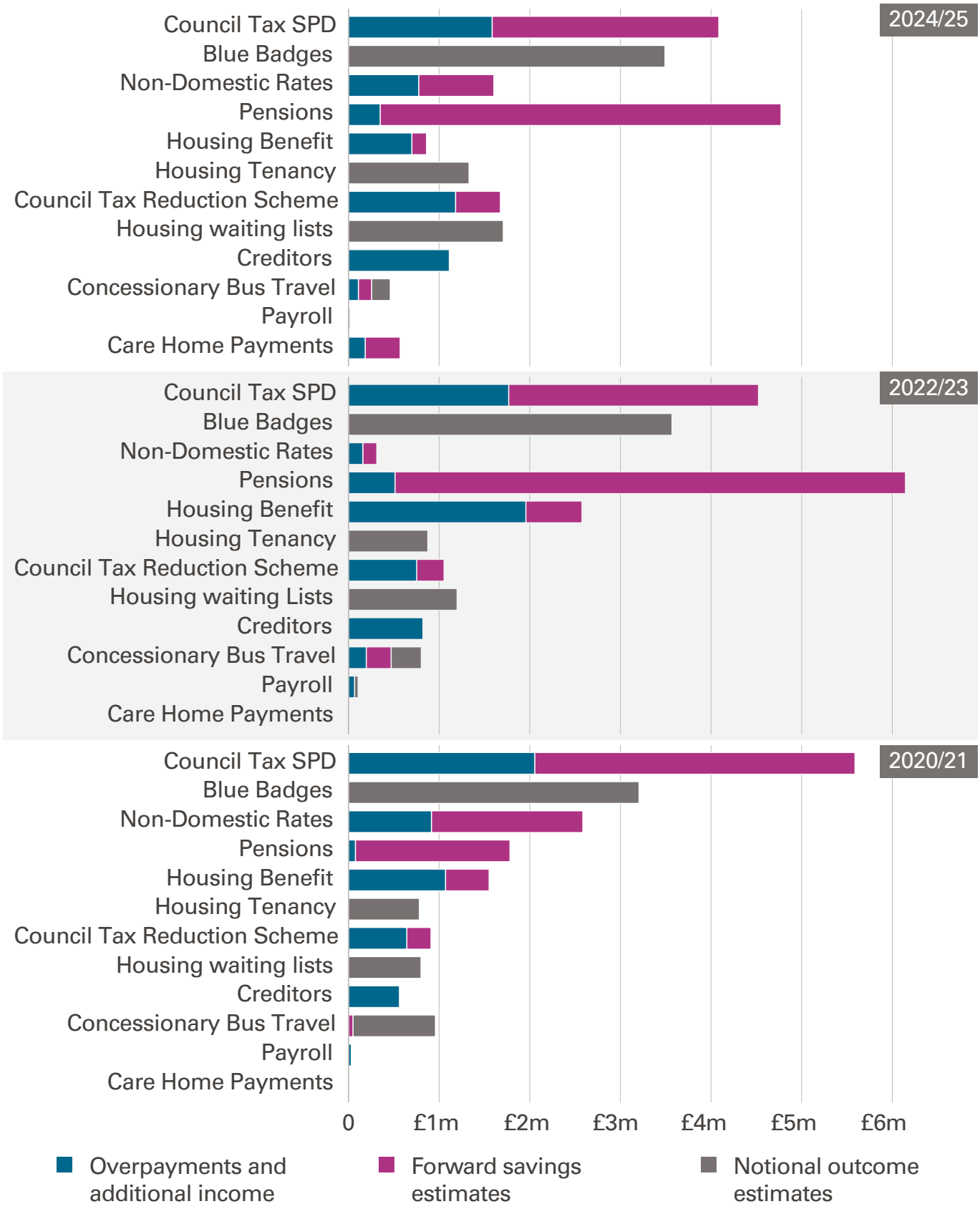
16. Councils also submit a range of other datasets giving rise to significant outcomes. As well as recurring council dataset submissions, matching of social care payments was reintroduced in 2025 and two non-domestic rates small business bonus scheme matching runs have also been included in 2024/25.

17. The Scottish Public Pensions Agency submits pensions data and the Student Awards Agency for Scotland submits details of student loans. Outcomes by data matching are as shown in Exhibit 4 (page 11).

Exhibit 4.

NFI outcomes by data match area

Outcomes from housing benefits and council tax single person discounts have fallen while those for creditors and the council tax reduction scheme have risen.



Source: Audit Scotland analysis of NFI outcomes data

When the fall in housing benefit savings is excluded, the outcomes in other areas identified by Scottish bodies have increased

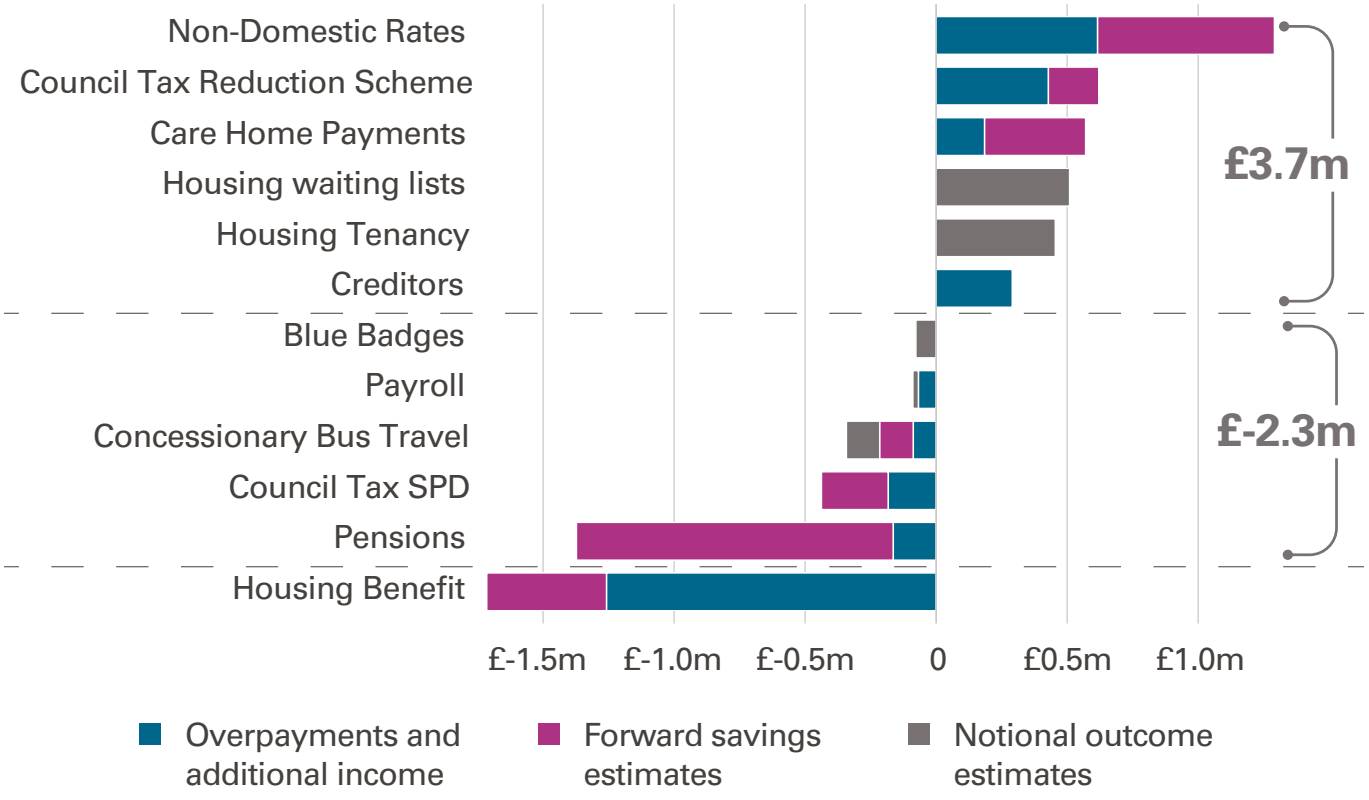
18. Housing benefit savings, pensions and council tax single person discounts (CTSPD) are the main areas of decline in 2024/25. Housing benefit savings continue to fall as claimants migrate to universal credit. And more councils have moved to the use of third-party providers for matching and follow up of CTSPD. Pensions outcomes remain volatile, being affected by speed of follow up and the age of pensioners who pass away.

19. When the decline in housing benefit savings is excluded there has been an overall increase in outcomes identified by Scottish bodies. Movements in outcomes by data match area are shown in Exhibit 5.

Exhibit 5.

Movements in NFI outcomes: 2022/23 to 2023/24

When the decline in housing benefit savings is excluded, there has been an overall increase in outcomes.



Source: Audit Scotland analysis of NFI outcomes data

20. There have been increases in outcomes and savings from non-domestic rates small business bonus scheme due to additional matching runs, and from the reintroduction of mortality screening of social care payments. There has also been additional income from the removal of council tax reduction scheme reliefs and increased savings from the identification of duplicate creditor payments. More housing tenancies have been recovered and more applicants removed from housing waiting lists. Details about individual match areas can be found in Part 3.

2. Delivering and developing the NFI in Scotland

NFI delivery remains generally sound, with fewer bodies assessed as having significant issues in 2024/25. However, in many cases follow-up activity could be timelier and better focused.

The NFI in Scotland supports good financial governance and is being delivered effectively

21. The NFI forms an integral part of the financial governance arrangements of participating bodies and is usually referenced in fraud strategies and policies. Some bodies also make explicit reference to the exercise in their annual governance statements that form part of their annual accounts.

22. We ask auditors to assess NFI data submission and follow-up activity by participating bodies and to provide a Red, Amber, Green assessment. Auditor responses from the last three exercises are summarised by sector in Exhibit 6 (page 15), with fewer bodies assessed by their auditors as having significant issues with delivery in 2024/25.

23. In 2024/25, both data submission and follow-up of match reports were assessed by auditors as satisfactory or generally satisfactory in most cases. A small number of bodies were assessed as having more significant issues with delivery. Two bodies were assessed as having fundamental issues with submission of datasets for matching (five bodies received red ratings in 2022/23).

Exhibit 6.

Auditor assessments of NFI delivery by sector

Fewer bodies have been assessed as having significant issues with delivery in 2024/25.



Source: Audit Scotland analysis of auditor returns

The importance of effective follow-up activity and the self-appraisal checklist

24. The more effective NFI follow-up activity is, the greater the outcomes and benefits from the data matching exercise. This includes its deterrence effect, something that may potentially have wider benefit extending beyond participating bodies.

25. Effective local delivery of NFI requires effective project management by an NFI key contact with suitable authority and sufficient time to coordinate the exercise. A high-level commitment to the exercise from senior management and those charged with governance also helps ensure an appropriate scrutiny of approach, and accountability for delivery. It is important that follow-up activity is timely and properly focused.

26. We have produced an NFI self-appraisal checklist for participating bodies to consider as part of the planning process for the 2026/27 NFI. It includes key scrutiny questions for those charged with governance alongside information for coordinating NFI delivery.

We continue to consider how best to develop and expand the NFI to make it more effective

27. We continue to work with auditors and public bodies to support the delivery of an effective NFI in Scotland. This includes regular consideration of the following important areas:

- Inclusion of new public sector bodies: we mandated 127 bodies to participate in the 2024/25 exercise. This does not include all public bodies in Scotland, for example 30 smaller central government bodies were not included, primarily due to their size. We will consider expansion of the exercise during discussion of fees with the PSFA.
- Refreshing NFI governance arrangements: ensuring the Code of data matching practice, NFI privacy notice and other documentation reflects legislative and technological developments and remain fit for purpose.
- Giving due consideration to how best use can be made of artificial intelligence as part of the NFI exercise, and across public bodies, to address more sophisticated frauds while remaining compliant with relevant legislation.

28. As part of our work to consider how to ensure that the NFI remains an important and effective mechanism that supports the Scottish public sector we are undertaking specific work in three important areas:

- We are currently working with Social Security Scotland on a pilot exercise checking residency of welfare payment recipients. The pilot has cleared the initial governance stage and is proceeding to

data matching. If the pilot identifies significant levels of fraud, we will incorporate the match into future NFI exercises from 2028/29.

- We are working with the City of Edinburgh Council on a pilot exercise to detect and prevent fraudulent social housing subletting via an online marketplace and hospitality brokerage website.
- In our last report, The National Fraud Initiative in Scotland 2024, we reported that we had invited a number of housing associations to participate in the 2024/25 NFI on a voluntary pilot basis. We were unable to secure voluntary participation from across the sector to proceed with a viable pilot exercise. This was due to concerns raised about data processing arrangements related to private sector sharing at a UK level (paragraph 7). The matter was referred to the Scottish Government and the option to mandate the involvement of housing associations in a pilot exercise was considered. Following full consideration of the issues, the Scottish Government has concluded that there is insufficient justification at this stage to pursue legislative change to extend mandatory participation. We will continue to work with housing associations, the Scottish Government and the Public Sector Fraud Authority to identify how perceived barriers to voluntary participation can be removed.

3. Analysis by outcome area

Detailed analysis of the NFI in Scotland 2024/25, and comparisons to previous NFI exercises, demonstrates the value it continues to add.

The NFI matches data across different datasets to address specific risks

29. Public bodies submit a range of datasets as part of the biennial NFI data matching exercise. Each dataset is matched against the others to address identified fraud risks. For example, payroll matches help to identify people employed in more than one full-time post; creditors matches can identify duplicate payments; and matches across council tax and housing datasets can identify eligibility issues and undeclared changes of circumstances.

30. The overall outcomes from the 2024/25 data matching exercise were reported in Part 1. We provide some more detailed analysis of the data matching carried out as part of the 2024/25 NFI in Scotland below.

Payroll matches identified several cases of dual full-time employment and working in secondary roles while off sick

31. Participating bodies submit details from their payroll systems for matching to help identify occupational fraud and error. In the 2024/25 exercise:

- Two cases of dual full-time working (holding more than one full-time job) were identified, with another three potential cases still under investigation. These cases usually result in dismissal or resignation and, in some cases, prosecution (2022/23: five cases).
- Three cases of working in a secondary role while off sick from the main employer were identified, with a further five potential cases still under investigation. These cases are usually dealt with in-house and typically involve disciplinary action (2022/23: seven cases).
- The NFI also matches payroll records to creditor payments and to Companies House data to identify any undeclared pecuniary interests and/or fraudulent disbursements. Matching resulted in one disciplinary procedure in 2024/25. Registers of interests were also updated in a number of cases.

Duplicate creditor payments worth over £1.1 million were identified in 2024/25

32. Participating bodies submit details of payments made to suppliers (people or organisations) for goods and services, and data is matched internally to identify potential duplicate payments.

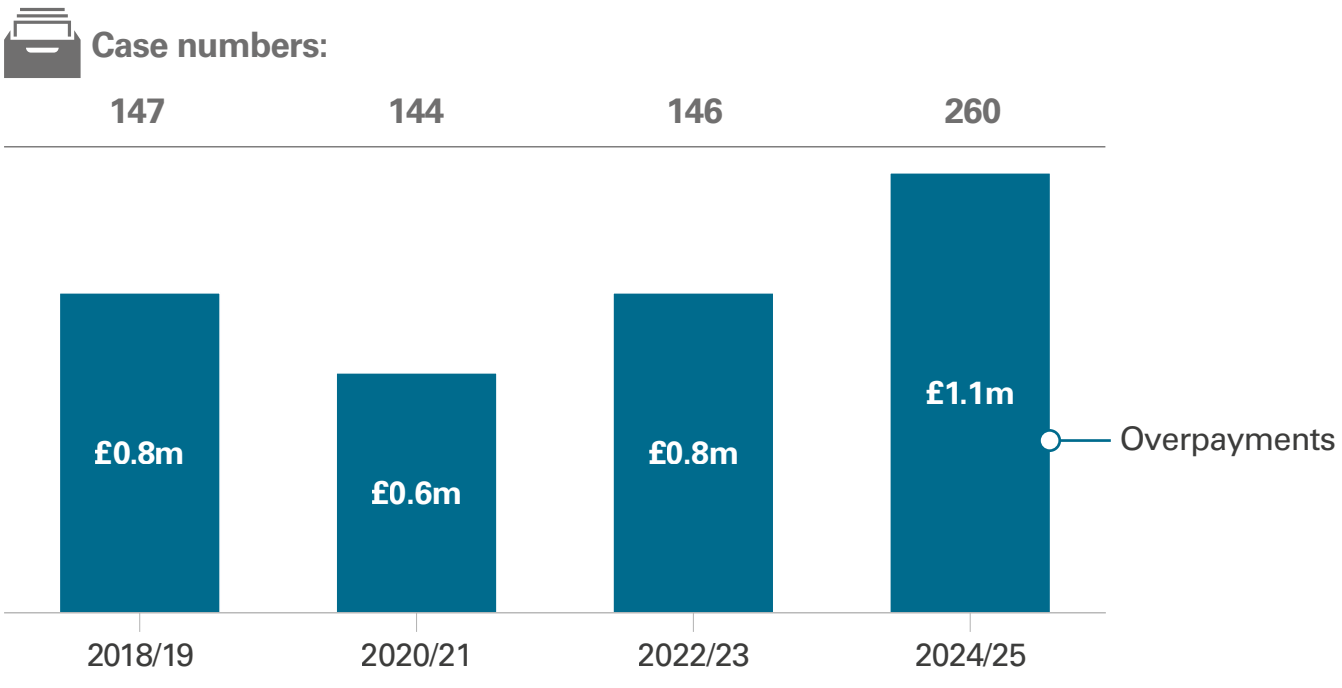
33. In addition to identifying duplicate creditor payments, the NFI also checks whether suppliers have been set up more than once on master files, something which increases the risk that duplicate payments can be made. Participating bodies can then cleanse their records and reduce ongoing risk. Where no errors are identified from review of matches, participating bodies can often take assurance that their control arrangements are working effectively.

34. The number and value of duplicate creditor payments reported in 2024/25 increased to 260 payments with a value of £1.1 million (146 payments with a value of £0.8 million in 2022/23). This increase is due in part to delays in the review of matches from the previous exercise, with the results from this work (37 payments with a value of £0.2 million) reported in 2024/25. However, there has also been better focused follow up by many bodies in 2024/25. Overpayment numbers and values reported for recent exercises are shown in Exhibit 7.

Exhibit 7.

Duplicate creditor payments by NFI exercise

The number and value of identified duplicate payments increased in 2024/25.



Source: Audit Scotland analysis of NFI outcomes data

More pensions were stopped or amended in 2024/25, but the value of savings and outcomes recorded decreased

35. The NFI includes mortality screening of public sector pensions. Pensions in payment are matched to records of deaths enabling administering authorities to stop or amend payments where deaths have not previously been notified. The number of stopped or amended pensions increased in 2024/25, to 108, but recorded outcomes decreased (Exhibit 8).

36. The PSFA methodology for forward savings estimates is based on a potential payment period from the date overpayments are identified until the date the deceased pensioner would have reached the age of 85. In addition to mortality screening of pensions in payment, the NFI also:

- mortality screens deferred pensions (where employees have left the scheme but not yet retired) so that crystallised benefits can be paid out. This identified 36 cases
- matches pensions to payroll to help identify cases where pension abatement rules have been broken. Two pensions requiring abatement were identified in 2024/25.

Exhibit 8.

Pension overpayments and estimated forward savings by NFI exercise

The number of overpayments increased in 2024/25, but their value decreased.



Source: Audit Scotland analysis of NFI outcomes data

Additional income from the withdrawal of council tax single person discounts has been decreasing in recent years, partly due to non-NFI checking of eligibility

37. People living on their own are eligible for a 25 per cent single person discount (SPD) on their annual council tax bill. The NFI matches SPD recipients to the electoral register, other NFI datasets, HMRC household composition data, and death registration information.

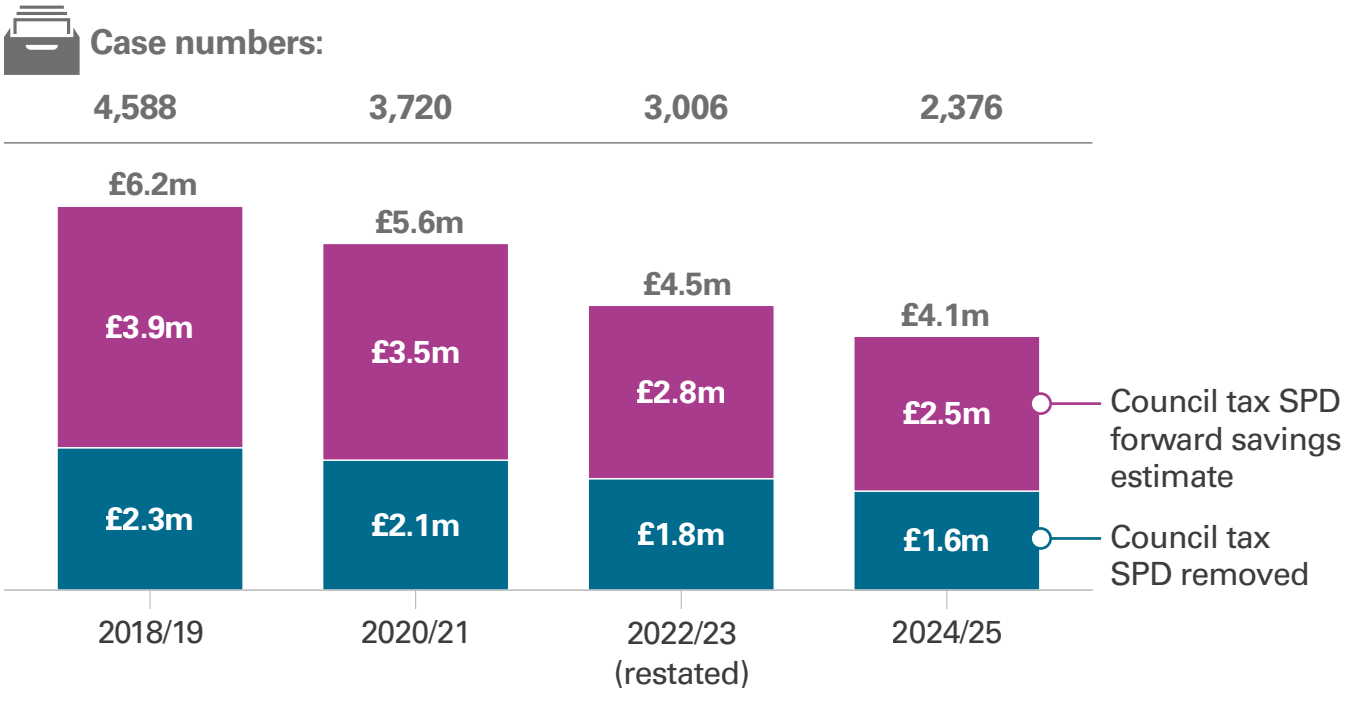
38. Councils were able to withdraw £1.6 million of SPDs because of NFI data matches in the two years since our last report in 2024. The roll-forward estimate of additional income associated with these cases is estimated at a further £2.5 million (based on a two-year roll-forward of the annualised saving) (Exhibit 9).

39. Additional income in this area has been declining across NFI exercises partly due to an increase in the number of councils using third party providers for the matching and follow up of SPDs. Eleven councils now use third party providers, an increase of two from the previous exercise. This reduces the level of reported savings identified as part of NFI data matching.

Exhibit 9.

Additional income from council tax single person discounts by NFI exercise

The number and value of discounts removed because of NFI have been falling.



Note: 2022/23 figures were restated to exclude £0.36 million of outcomes which were found to have not arisen from NFI matching.

Source: Audit Scotland analysis of NFI outcomes data

Additional income arising from the withdrawal of council tax reduction scheme (CTRS) reliefs increased again

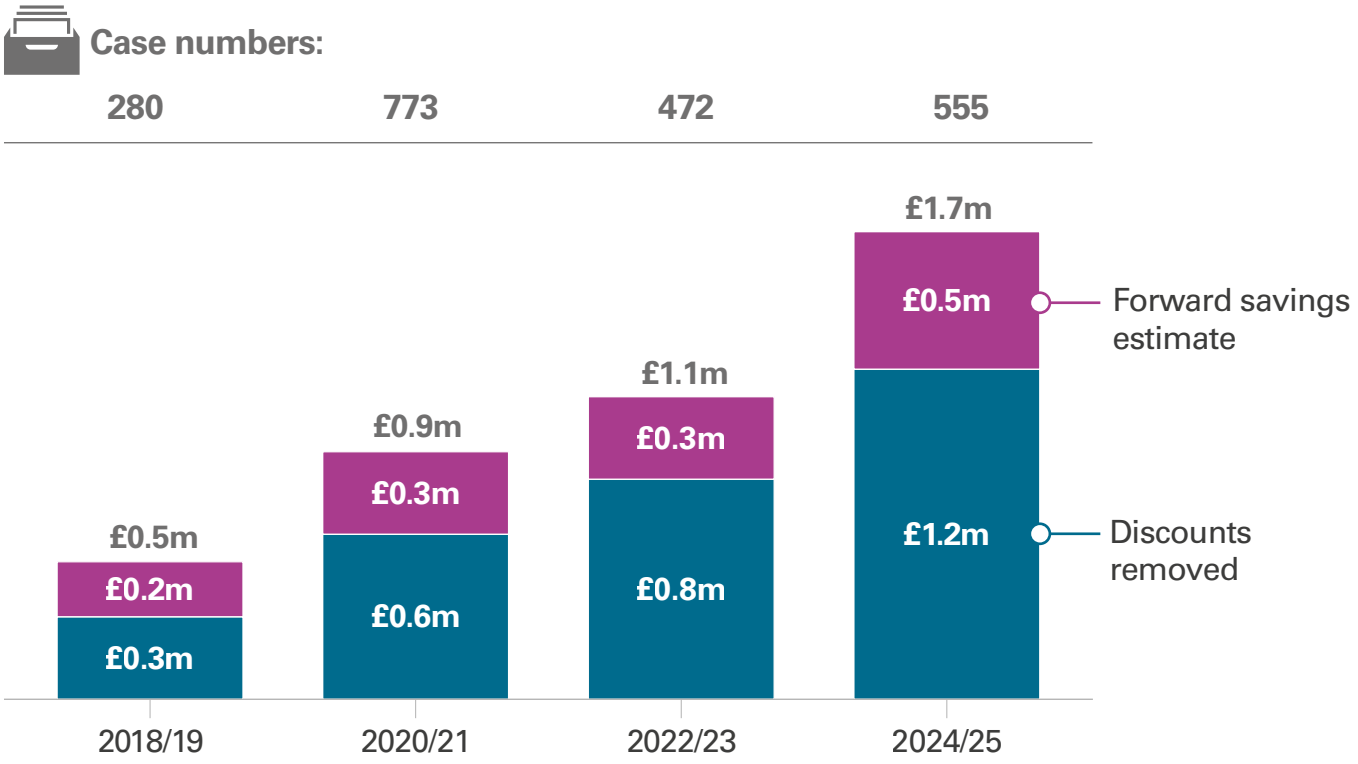
40. Council tax reduction is available to low-income households in Scotland. The NFI matches CTRS data to other datasets, such as payroll, pensions, and HMRC records to help identify undeclared income.

41. Additional income from the removal of council tax reductions has increased to £1.7 million in 2024/25 (from £1.1 million in 2022/23). Roll forward estimates of additional income have also increased. The increase is due largely to successful matches of CTRS to HMRC data on income and capital, a relatively new match type where historic cases are being identified for the first time (Exhibit 10).

Exhibit 10.

Council tax reduction scheme relief withdrawn by NFI exercise

The number and value of discounts removed because of NFI has been increasing.



Source: Audit Scotland analysis of NFI outcomes data

Non-domestic rates (NDR) Small Business Bonus Scheme matches have resulted in outcomes of around £4 million since their introduction

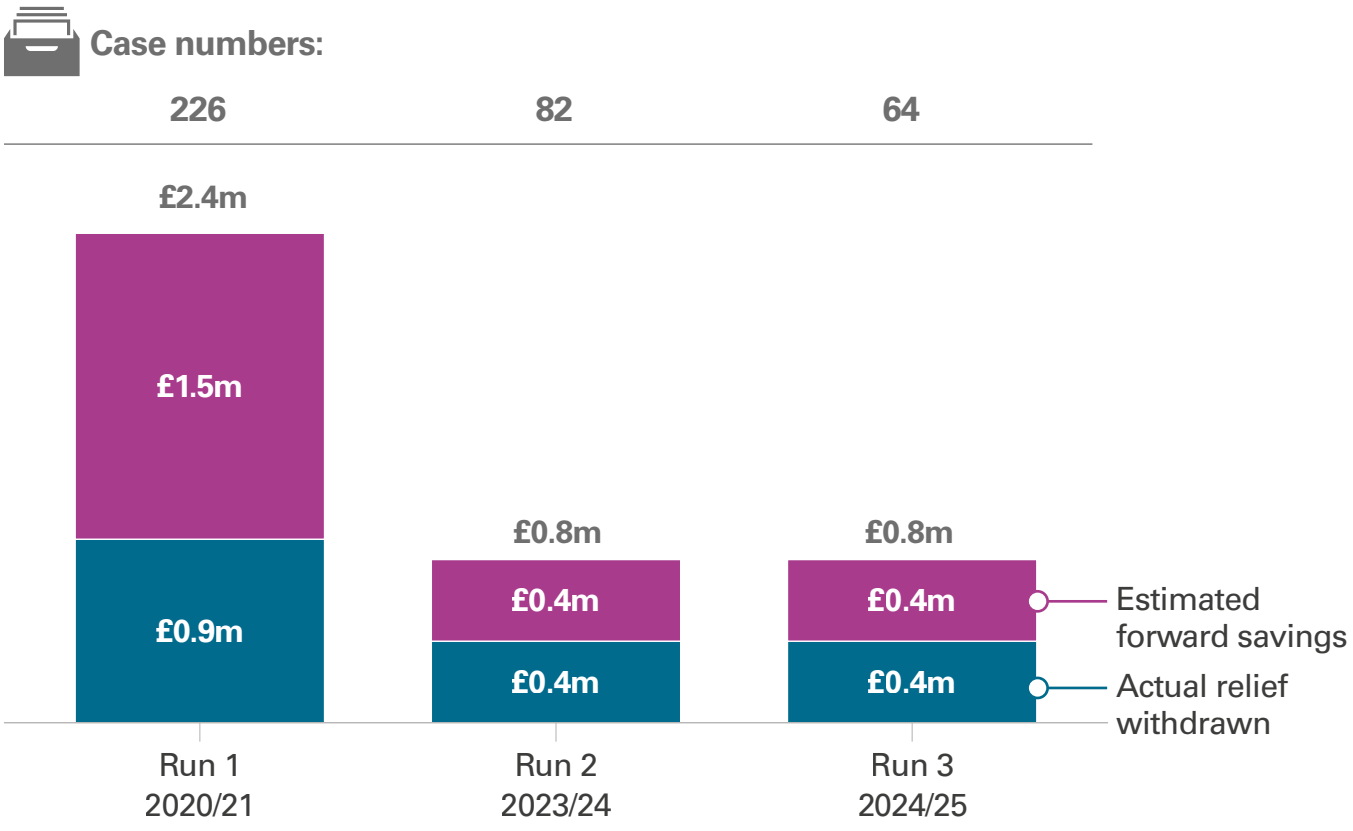
42. The Scottish Government's non-domestic rates (NDR) Small Business Bonus Scheme (SBBS) offers relief to eligible small businesses. To qualify, the combined rateable value of a business' premises must be £35,000 or less, and each individual property must have a rateable value of £20,000 or less. The scheme provides tapered relief, from 100 per cent down to 0 per cent as rateable values increase.

43. The NFI matches SBBS relief recipients across council areas to identify cases where combined rateable values may have breached the cumulative thresholds. Three matching runs have now been completed. The additional income from the second and third matching runs are included in the total outcomes for the 2024/25 NFI exercise. The outcomes, by matching run, are shown on a cash basis in Exhibit 11.

Exhibit 11.

Non-domestic rates Small Business Bonus Scheme withdrawn

Case numbers and additional income have dropped since the first matching run.



Source: Audit Scotland analysis of NFI outcomes data

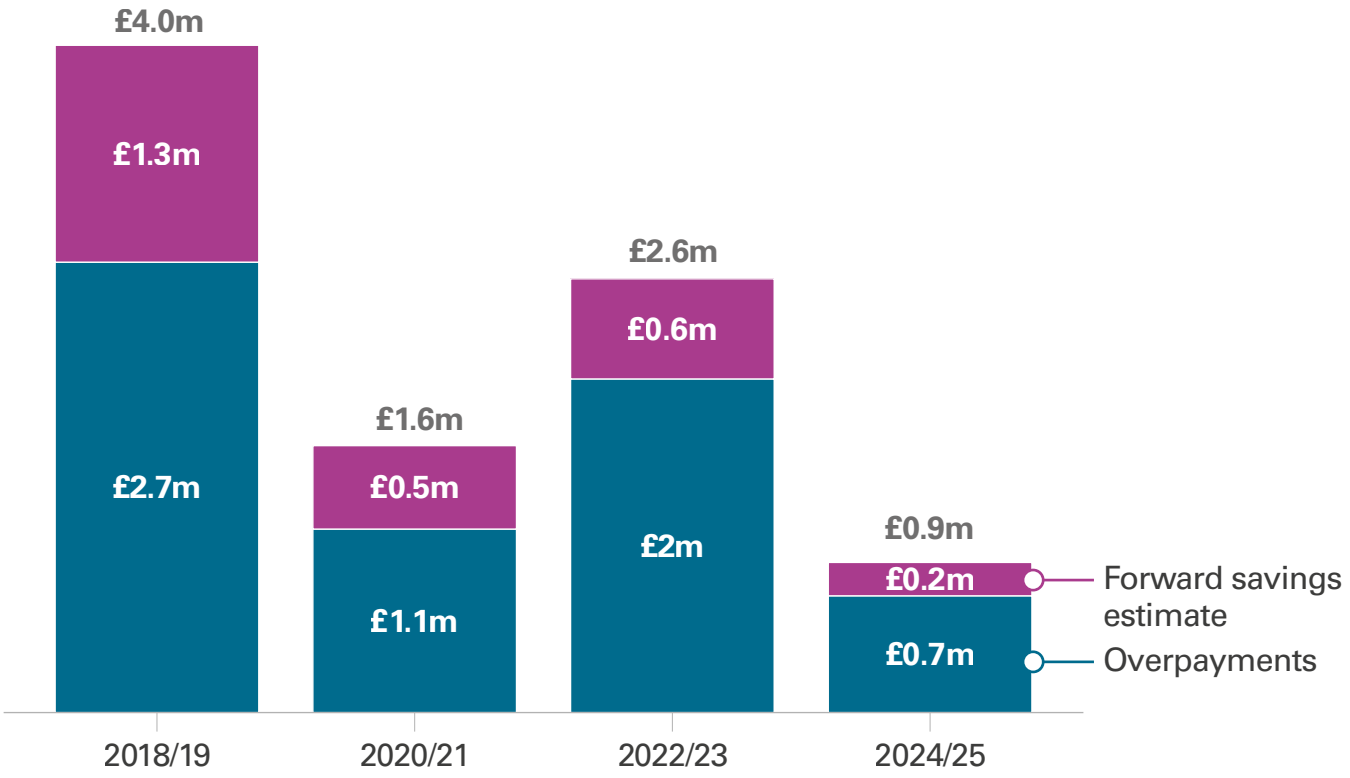
Housing benefits outcomes are decreasing as the number of claimants continues to fall

44. Housing benefits (HB) help people on low incomes pay their rent. Reported savings from the follow-up HB matches in 2024/25 totalled £0.9 million. Outcomes in 2020/21 were impacted by Covid and those for 2022/23 were higher than expected due to the processing of backlogs by the Department of Work and Pensions (DWP) (Exhibit 12).

Exhibit 12.

Housing Benefits overpayments and forward savings

The trend in HB savings is downward, in line with the roll out of universal credit.



Note: In 2024/25, the savings identified by the DWP relating to Scotland were not directly identifiable and the PSFA have apportioned total UK outcomes based on the numbers of referrals made.

Source: Audit Scotland analysis of NFI outcomes data

45. The long-term trend in reported savings from HB matches has been downward and has been impacted by:

- HB cases in payment continue to decrease as benefit recipients move on to universal credit
- NFI no longer matches HB to payroll and pensions as the DWP's Verify Earnings and Pensions alerts service notifies councils directly of cases for investigation.

46. HB matches involving suspected fraud are referred to the DWP for investigation. In 2024/25, almost £0.7 million of overpayments and forward savings are thought to have arisen from these referrals. With £0.2 million identified locally by councils, largely from the follow up of matches to student loans and taxi drivers.

Adult concessionary travel screening has prevented fraud and identified savings of around £0.15 million

47. Adult concessionary bus travel mortality screening was rolled out to councils in September 2023 (reported in 2024). A second matching run was undertaken based on passes in circulation in May 2024 and the results are reported here. Cross-checks by Transport Scotland identified the extent to which passes had been used where the passholder's death had not been previously reported.

48. In 2024/25, the full fare value of identified fraud was £0.2 million (£0.31 million in 2022/23) with an underlying cost to Transport Scotland of around £0.11 million (bus companies are not reimbursed for the full fare value of journeys). While it is not possible to recover these overpayments, the cancellation of passes prevents future fraud. The estimated value of prevented fraud is in the region of £0.26 million (£0.45 million in 2022/23) giving an underlying saving at £0.15 million (£0.25 million in 2022/23).

49. Concessional travel passes can also be used on Edinburgh Trams and the Glasgow Subway. We have not identified the extent of prevented fraud or underlying savings for these networks, but cancellation also curtails any ongoing use of passes on them.

The NFI prevents blue badges being reissued in the event of fraudulent applications for renewal

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

51. The NFI matches blue badges issued to records of deaths, enabling badges to be cancelled. Cancellation of badges does not stop them

being used, but it does mean that they cannot be reissued, and it also enables them to be recovered in use via spot checks.

52. The NFI has enabled councils to cancel just over 5,000 passes in 2024/25. The PSFA outcome methodology assigned an average value of £695 to each blue badge cancelled and reported, resulting in a notional outcome of £3.5 million.

Social care payments mortality screening was reintroduced late in 2025 and savings have been identified

53. The mortality screening of care home and personal care payments was reintroduced in October 2025. As of 31 March 2026, 44 overpayments were identified amounting to £185,000. The forward savings estimate, based on the roll forward of the weekly amount for 14 weeks, is a further £386,000.

In 2024/25, 17 housing tenancies were recovered due to NFI data matching, providing a notional outcome of £1.3 million

54. With reported housing shortages and high levels of homelessness, addressing tenancy fraud is increasingly important. The NFI uses council housing tenancy data to identify where the named tenant has passed away or appears to be residing elsewhere. This helps councils identify whether there has been abandonment, inappropriate succession or fraudulent subletting.

55. In 2024/25, councils were able to identify and recover 17 properties (including one on behalf of a Registered Social Landlord); this is up from 12 recoveries in 2022/23. The PSFA outcome methodology attributes a value of £78,300 for each property recovered, based on lost income and costs associated with an average fraudulent tenancy.

In 2024/25, almost 400 applications were removed from housing waiting lists due to NFI data matching

56. Councils maintain waiting lists for council housing and, in some cases, for all social housing in their area. The NFI matches waiting list data to housing tenancy data and to other data sets, enabling undisclosed changes in circumstances to be picked up. This enables removal of ineligible applicants from the waiting list, stops inappropriate allocations, and accelerates allocations to people in genuine need of social housing.

57. In 2024/25, 397 applicants were removed from housing waiting lists giving a notional outcome of £1.7 million based on PSFA methodology of applying £4,283 for each applicant removed.

Appendix

Estimated outcomes methodologies

Most NFI financial outcomes include an estimated element

Most NFI datasets have a methodology to calculate forward savings or the estimated value of fraud and error identified or potential fraud prevented (where there is no direct payment or income stream involved).

These methodologies are developed by the Public Sector Fraud Authority (PSFA) and take account of a number of factors including:

- data relevant to the fraud problem, including national published data and data from previous NFI cases
- the policy context relative to the fraud problem
- alignment where possible with relevant estimated savings methodologies used in other central government departments.

All methodologies are reviewed prior to the start of each new NFI exercise. Any changes are reviewed by the PSFA NFI Governance Board and approved by the PSFA Fraud Prevention Panel. This panel consists of cross-government counter-fraud experts (including representatives from DWP, HMRC, NHS, MOD, BEIS, DFID, NAO, etc.) who review and challenge, where necessary, methodologies for calculating the estimated value of fraud prevention initiatives across government departments.

A summary of the outcomes methodology calculations applied to NFI datasets is set out in the following table:

Data match	Basis of calculation of forward savings and estimated outcomes
Council tax single person discount	Forward savings – Annual value of the discount cancelled multiplied by two years.
Council tax reduction scheme	Forward savings – Weekly change in council tax discount multiplied by 40 weeks.
Housing benefit	Forward savings – Weekly benefit reduction multiplied by 29 weeks.
Pensions	Forward savings – Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Social care payments	Forward savings – weekly payment amount multiplied by 14 weeks.
Housing tenancy	Notional outcomes – £78,300 per property recovered, based on: the annual cost of temporary accommodation of £12,000; and an average three-year fraudulent tenancy at time of identification plus forward savings for an additional three years; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
Housing waiting lists	Notional outcomes – £4,283 for each case based on the annual estimated cost of housing a family in temporary accommodation, the duration a fraud may continue undetected and the likelihood a waiting list applicant would be provided a property.
Blue badges	Notional outcomes – Number of badge holders confirmed as having died, multiplied by £695 (average value on cases reported in 2024/25) to reflect potential lost parking and congestion charge revenue from fraudulent use.
Concessionary bus travel	Forward savings – Number of bus passes used fraudulently multiplied by £420. Based on average fraudulent use and reflecting two years' forward use.
Payroll	Notional outcomes – £6,054 for each employee dismissed or who resigns because of NFI matching.
NDR SBBS	Forward savings – Annual value of the relief cancelled multiplied by two years.

The National Fraud Initiative in Scotland 2026

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Appendix 2

National Fraud Initiative in Scotland 2026/27

Self-appraisal checklist (August 2026)

Part A – For Those Charged with Governance

This is designed to assist Audit Committee members when reviewing, seeking assurance over, or challenging the effectiveness of their body's participation in the NFI.

Ref	Question	Response	Yes/ No/ Partly	Action Required?	Who By and When?
1	Are NFI participation and delivery arrangements considered as part of a wider fraud risk assessment process?	The Council recognises fraud and corruption risks through its Code of Conduct, Financial Regulations, Counter Fraud Policy and regular fraud reporting arrangements.	Yes	No	N/A
2	Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	The Counter Fraud Policy specifically supports participation in the NFI and information sharing to prevent and detect fraud.	Yes	No	N/A
3	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?	Yes, see 2 above. The Audit Committee receives the NFI reports and the Council allocates resources to support participation.	Yes	No	N/A

4	Does our NFI Key Contact have sufficient authority and time to ensure that NFI is delivered effectively?	The Key Contact has appropriate authority, although investigation capacity is dependent on Service staffing resources.	Partly	To monitor resourcing arrangements.	Ongoing
5	Has the approach to follow-up of different NFI match types been clearly set out and reported as part of the NFI planning process?	Matches are allocated to relevant Services for investigation and coordinated through the Key Contact. Services are also provided with access to the NFI guidance which sets out the approach that should be followed when deciding which matches should be prioritised and investigated.	Partly	No	N/A
6	Does the approach to follow-up optimise the use of available resources to address risks and maximise savings?	Investigations are prioritised and allocated according to Service responsibilities and available resources.	Yes	No	N/A
7	Are NFI progress and outcomes reported regularly to senior management and elected/board members (e.g. the audit committee or equivalent)?	The NFI progress and outcomes are reported to the Audit Committee.	Yes	No	N/A
8	Where we use a third-party provider for matching and follow-up of council tax single person discounts, and not the NFI, have we considered sharing the NFI matches with them?	Alternative fraud detection arrangements have been used for Council Tax single person discounts. NFI matches have been included as part of datasets used in third party matching exercises.	Yes	No	N/A
9	Do we review how frauds and errors arose and use this information to improve our internal controls?	Fraud outcomes and lessons learned are reviewed and reported by Internal Audit to management. The relevant System	Yes	No	N/A

		Weaknesses audit reports are also provided to the Audit Committee for scrutiny.			
10	Do we have access to suitably qualified fraud investigation resources to ensure suspected frauds can be investigated thoroughly and promptly?	The Internal Audit Team includes two dedicated Corporate Fraud investigators who have the required qualifications and experience to undertake this work.	Yes	No	N/A
11	Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (e.g. successful prosecutions)?	Yes, the NFI reports, Fraud and Whistleblowing Annual reports reports are presented to the Audit Committee, and published on the Council's website.	Yes	No	N/A

Part B – For NFI Key Contacts and Users

For staff involved in planning and managing the NFI exercise.

Ref	Question	Response	Yes/ No/ Partly	Action Required?	Who By and When?
1	Are arrangements in place to meet fair processing notice requirements, and will we be in a position to confirm that using the online NFI declaration?	Fair processing requirements are confirmed via the NFI secure website.	Yes	No	N/A
2	Are arrangements in place to enable mandated data sets to be extracted and submitted in line with the required	Data submissions are coordinated with Services; the Key Contact has followed up provision of data sets with responsible officers to ensure submission. The October Holidays have	Yes	No	N/A

	data specifications and submission timetable?	hindered this process but the Key Contact has communicated directly with the NFI team to provide early warning.			
3	Has the NFI data quality report produced for the previous exercise been reviewed and any issues arising addressed?	Data quality and submission arrangements are considered as part of exercise planning. Reminders were communicated in April 2026 to Service staff to prepare for the data submission with staff reminded of the data specification requirements.	Yes	No	N/A
4	Do we understand the reasons for low or nil outcomes from the previous exercise?	Low outcomes in previous NFI exercises have been recognised as potentially reflecting, poor match quality, match timing/ already known issues as well as confirmation of existing controls.	Yes	No	N/A
5	Did the auditors identify any significant issues with our delivery of the 2025/26 NFI and have these been addressed?	No issues were reported in the 2025/26 annual audit report.	Yes	No	N/A
6	Is there a clearly articulated approach to the review and follow-up of matches which optimises the use of available resources to address risks and identify savings?	Responsibilities for match investigation are allocated and coordinated by the Key Contact. However, investigation capacity is dependent on Service's available staff resources.	Yes	No	N/A
7	Will we be in a position to review payroll to payroll matches immediately	Payroll staff commence investigation of matches as resources permit and alongside normal duties. There is a risk that for the 2026/27 NFI	Partly	To monitor resourcing arrangements.	Ongoing

	and initiate follow-up of any full-time to full-time matches as appropriate?	exercise these resources maybe impacted due to the implementation of a new HR Payroll system in 2027.			
8	Does our proposed approach to the review of creditors matches ensure that all matches with the same invoice date and very similar supplier invoice references will be followed up?	In the course of the 2024/25 NFI exercise there was improved NFI engagement by the Creditors Team with greater awareness and commitment. The high-risk and priority matches will be prioritised and investigated by Creditors.	Yes	No	N/A
9	Have responsibilities for the review and follow-up of pecuniary interest reports been set out?	Match review responsibilities are allocated to relevant Service officers.	Yes	No	N/A
10	Have responsibilities for the review and follow-up of matches in other data match areas been allocated and do staff involved understand the planned approach?	Relevant Service officers receive guidance and undertake investigations.	Yes	No	N/A
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?	Financial Regulations require suspected frauds to be referred to the Strategic Lead (Audit and Risk) for investigation and action.	Yes	No	N/A
12	Are we recording outcomes properly in the secure website and keeping it up to date?	Investigation results are recorded on the NFI secure website.	Yes	No	N/A