

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer - Resources****Audit Committee: 4 December 2024**

Subject: National Fraud Initiative 2022/23 Exercise**1. Purpose**

- 1.1** The purpose of this report is to inform Members of the Audit Scotland Report “National Fraud Initiative 2022/23” published in August 2024 and to provide an overview of the key messages and recommendations raised in the report and how these issues are being addressed by the Council.

2. Recommendations

- 2.1** It is recommended that the Audit Committee notes the contents of this report and agrees that a further update report is submitted to the September 2025 Audit Committee outlining the Council’s progress with the 2024-2025 exercise.

3. Background

- 3.1** The NFI in Scotland is now well established with this being the 9th biennial exercise since 2006/07. 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 recover money and/or press criminal charges.
 - 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.
 - represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.
- 3.2** 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. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

- 3.3** Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.
- 3.4** Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and can therefore limit the gaps available for fraudsters to manipulate and can help identify those that have. It also supports bodies to identify and implement process and control improvements that should reduce future errors and the costs of correcting these errors.
- 3.5** Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The NFI exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

4. Main Issues

- 4.1** The latest report was published in August 2024 and can be found [here](#):

In terms of key messages, the report identified the following:

- Fraud against the public sector costs the taxpayer money and can undermine both confidence in government and the delivery of public services. The proactive detection and prevention of fraud using the National Fraud Initiative (NFI) remains vitally important to public sector financial management as public bodies continue to recover from Covid-19 and to deal with the impact of the cost-of-living crisis.
- NFI savings and outcomes have increased from £14.9 million in 2020/21 to £21.5 million in 2022/23, with increases across most data match areas. However, savings from council tax single person discounts are slightly reduced and additional outcomes in some areas are attributable to changes in estimation methodologies. Overall, it is not clear whether underlying levels of fraud have increased since 2020/21.
- NFI governance and follow-up arrangements remained sound for most participating bodies over the period covered by the 2022/23 exercise. However, when compared to previous exercises, slightly fewer bodies have been assessed by their auditors as having fully satisfactory arrangements, and there remains scope for some bodies to follow up on data matches more effectively.

- 4.2** The report highlighted some key areas where fraud or error was identified including:

- Council Tax Single Person Discount – £4.5m (down from £4.6m 2020/21)
- Council Tax Reduction Scheme - £0.92m (up from £0.65m 2020/21)

- Housing Benefit - £2.2 m (up from £1.2m 2020/21)
- Pensions – £5.6 m (up from £1.5m 2020/21)
- Blue badges – £3.3m (up from £2.7m 2020/21)
- Housing Waiting Lists - £1.2m (up from £0.6m 2020/21)
- Creditors - £0.75m (up from £0.5m 2020/21)

4.3 From a local perspective, outcomes valued at £51,667 have been recorded for the 2022/23 exercise as follows:

Area	No. Of Cases	Fraud	Error	Financial Outcome
HB Claimants	4	4	0	£14,851
Council Tax Reduction	17	17	0	£32,916
Blue Badge	6	0	6	£3,900 (Notional)
TOTAL	27	21	6	£51,667

4.4 The report recommends that participating bodies should:

- Ensure that an appropriate level of resource is available to deliver NFI follow-up activities in an efficient and effective manner, in line with local priorities.
- Use the NFI Self-Appraisal Checklist as part of planning for the 2024/25 exercise.
- Put in place arrangements for monitoring follow-up activity, and where it is necessary seek to understand reasons for low or nil outcomes.

4.5 In response to the recommendations, a copy of the completed self-appraisal checklist is attached at Appendix 1. This highlights the good progress the Council continues to make in undertaking counter-fraud activities.

5. Personnel Implications

5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

6.1 There are no direct financial implications arising from this report, however the initiatives described in this report are intended to detect fraud and error which can cause financial loss to the Council.

7. Risk Analysis

7.1 The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. This can lead to process risks being identified during the investigation of matches and internal controls being strengthened to reduce the risk of fraud and error recurring in the future and improve the Council's control environment.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

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Date: 5 November 2024

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Appendix 1:	NFI Self-appraisal checklist
Background Papers:	None
Wards Affected:	All wards