National Fraud Initiative

Self-appraisal checklist
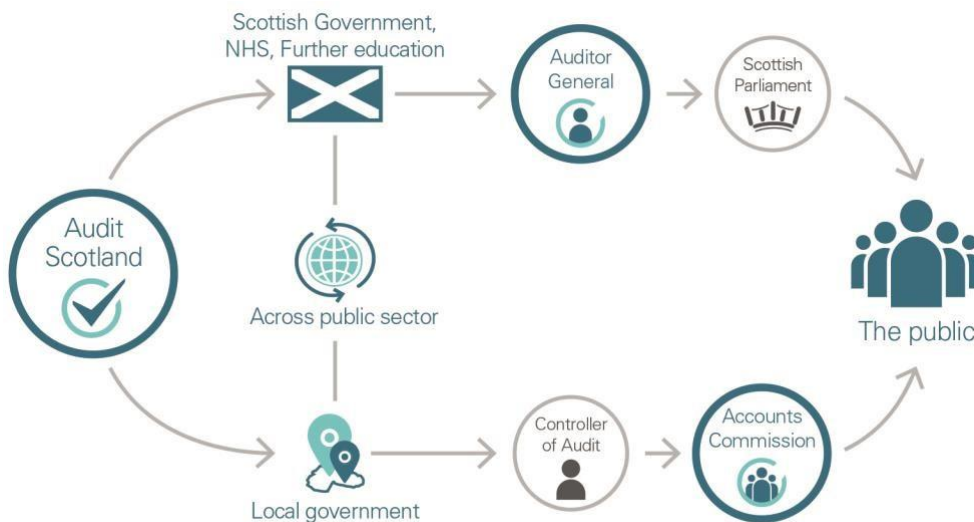
Who we are

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.

Contents

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			
1. Are we aware of emerging fraud risks, eg due to Covid-19, and taken appropriate preventative and detective action?	The Council is actively engaging with other local authorities to maintain a shared list of identified fraudulent activity. The Council is also a member of The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) which is regularly in contact with Audit Scotland including its National Fraud Initiative service.	No	N/A
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?	The NFI key contact (KC) is a members of the Internal Audit team, who has the role of overall monitoring of progress. There are individual service staff who have been allocated responsibility for progressing and investigating matches that fall under their remit (for example, Council Tax, Payroll, Creditors etc. contact). When the dataset is published progress is monitored by the KC and a quarterly progress update is reported as a standing agenda item to the Audit & Scrutiny Committee (ASC).	No	N/A
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	The Anti-Fraud Strategy included as an appendix to the Council Constitution states at paragraph 4.5 that "*We are committed to working and co-operating with other organisations to prevent organised fraud and corruption. Wherever possible, we will be prepared to help and exchange information, subject to the requirements of Data Protection, with other Councils and organisations to deal with fraud. We will participate in any national anti-fraud initiatives.*"	No	N/A
4. Have we considered using the point of application data matching service offered by the NFI team, to enhance	The Council do not currently use the point of application data matching service as they have are other arrangements in place. The Council's 2018/19 annual audit report issued by	No	N/A

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
assurances over internal controls and improve our approach to risk management?	Audit Scotland acknowledged the Council's use of other agencies to provide data matches in high risk areas.		
5. Are NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?	Quarterly updates on progress with NFI matches are provided to the ASC as a standing agenda item.	No	N/A
6. 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?	To date, data has always been submitted as per the stipulated deadline. In the previous NFI cycle, the decision was made to stop investigating matches on Report 803 – Council Tax to other datasets due to the poor quality of matches in this data set. The decision was made that the cost of resource to investigate these matches would outweigh the benefit. This decision was deemed appropriate by Internal Audit.	No	N/A
7. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	The KC is a member of the Internal audit team, they monitor the progress with NFI matches on a regular basis however this is a supervisory role and cases are not reviewed by internal audit individually. If there is a fraud that comes to light as a result of NFI and it appears that our internal controls have let us down, the controls will be reviewed and the process will be improved if at all possible as a result. However since the responsibility for investigating housing benefit fraud transferred to the DWP in 2015 most of our Fraud work is concentrated on Revenue Fraud such as Single Person Discount.	No	N/A
8. Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes where possible.	No	N/A
9. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	We have done this in the past and will consider this action in the future also. It is a useful deterrent. The Council has recently implemented a two year pilot dedicated counter fraud service and consideration is currently being given to	Yes	Chief Internal Auditor March 2021

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
	how the output from their work including conclusions of investigations will be reported to the Audit and Scrutiny Committee. Specifically in relation to the 2018/19 NFI exercise no frauds were identified.		

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
Planning and preparation			
1. Are we aware of emerging fraud risks, eg due to Covid-19, and taken appropriate preventative and detective action?	The Council is actively engaging with other local authorities to maintain a shared list of identified fraudulent activity. The Council is also a member of The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) which is regularly in contact with Audit Scotland including its National Fraud Initiative service.	No	N/A
2. Are we investing sufficient resources in the NFI exercise?	Administration of the process is well organised and resourced, with staff in appropriate departments involved in investigation of matches. Internal Audit has a role in overall monitoring of progress. The Council is pro-active in investigating matches, employs a significant level of staff resource in the process and provides regular updates to the ASC.	No	N/A
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.	KC reviews timetable for up-coming NFI exercise available from 31 July, the Privacy Notice Compliance Statement is submitted and datasets confirmed. Senior IT Engineer is contacted, advised of the data submission timetable and provided with the link to the NFI data specification requirements. KC liaises with Senior IT Engineer to ensure data is captured and uploaded as per timetable. KC ensures Senior IT Engineer and all required users have appropriate access to NFI application when required.	No	N/A

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required?	Who by and when?
4. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	The KC for the Council is a members of the Internal Audit team. Internal Audit has a role in overall monitoring of progress. Where deemed necessary the KC will seek further information from the services before reporting progress to the ASC. Administration of the process is well organised and resourced, with staff in appropriate departments involved in investigation of matches.	No	N/A
5. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Yes, as noted above the KC is a member of the internal audit team. The Council has implementing a two year pilot exercise commencing 2020-21 to establish a dedicated counter fraud service and responsibility will be passed to this team. Time for participation in the NFI exercise is currently allocated as part of the internal audit annual plan and 5 days have been allocated in 2020/21 to provide a hand over to the new team. If required, authority to seek action would be organised in conjunction with the Chief Internal Auditor in his role as the Senior Responsible Officer. The new counter fraud team will also be managed by the Chief Internal Auditor.	No	N/A
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?	Whilst we recognise that participation in the NFI exercise acts as a deterrent, we would welcome engagement with the Accounts Commission on the ongoing benefits of the NFI process against the cost of resource allocated to it. For Argyll and Bute the most recent NFI cycle identified approximately £25,000 of fraud.	No	N/A
7. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes, the KC confirms the Council has met the fair processing notice requirements by the deadline.	No	N/A
8. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes, to date all data submissions have been submitted by the deadline.	No	N/A

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?	The Council do not currently use the point of application data matching service as they have other arrangements in place. The Council's 2018/19 annual audit report issued by Audit Scotland acknowledged the Council's use of other agencies to provide data matches in high risk areas.	No	N/A
Effective follow up of matches			
10. Do all departments involved in NFI start the follow-up of matches promptly after they become available?	Yes. Service contacts are notified by the key contact in January on release of the new data set. The key contacts then send email reminders on a monthly basis to remind service contacts to continue to progress matches and check system for comments / queries from other organisations.	No	N/A
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?	Service contacts are advised to investigate high risk matches as a priority and then follow up with other matches where resource allows.	No	N/A
12. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Each match is thoroughly investigated through review of information held on Council systems and communications with other authorities where relevant to inform outcome recorded. No issue is used when confident that action has already been carried out	No	N/A
13. (In health bodies) Are we drawing appropriately on the help and expertise available from NHS Scotland Counter Fraud Services?	N/A	N/A	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?	In the most recent NFI cycle there were no instances of fraud reported. In previous exercises, the recovery / remedial action taken has been noted in the comments section of the NFI system for reference and has been deemed appropriate for the nature and value of fraud in each instance.	No	N/A
15. Do we avoid deploying excessive resources on match reports where early work (eg, on high-risk matches) has not found any fraud or error?	Internal Audit recommend to staff involved with investigating matches that all high risk matches should be completed as a priority and then as many other matches should be investigating as far as resources allow.	No	N/A

Part B: for the NFI key contacts and users	Yes/No/Partly	Is action required ?	Who by and when?
	As referenced above, as part of the previous NFI cycle, the decision was made to stop investigating matches on Report 803 – Council Tax to other datasets due to the poor quality of matches in this data set. The decision was made that the cost of resource to investigate these matches would outweigh the benefit. This decision was deemed appropriate by Internal Audit.		
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?	Internal Audit recommend to staff involved with investigating matches that all high risk matches should be completed as a priority and then as many other matches should be investigating as far as resources allow.	No	N/A
17. Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes, as noted by Audit Scotland in their 2018/19 Annual Report the Council actively reviews and investigates data matches with findings reported to the Audit and Scrutiny Committee.	No	N/A
Recording and reporting			
18. Are we recording outcomes properly in the secure website and keeping it up-to-date?	Yes, outcomes are recorded on the system by staff in departments who have investigated the match.	No	N/A
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, when a new user is set up on the system the KC will direct them to the training and guidance section of the website. Service staff may also come to the KC with queries on the system, if it is a query that the KC cannot answer then they will liaise with the NFI helpdesk.	No	N/A
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 - All information is updated on the system	No	N/A

Appendix 2

How to work more efficiently

Concerns	How to work more efficiently
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

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