



**Finance and Corporate Resources**  
Executive Director **Paul Manning**  
**Audit and Compliance Services**

Terry Shevlin  
Clerk to the Public Audit and Post-legislative  
Scrutiny Committee  
By Email

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**Your ref:**  
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**Date:** 1 March 2017

Dear Terry

**Audit Scotland Report: The National Fraud Initiative in Scotland (June 2016)**

I write with reference to your letter of 2 February 2017 and on behalf of the Scottish Local Government Partnership (SLGP) would respond to your comments under the following headings:

The effectiveness of the arrangements made by local government bodies for the National Fraud Initiative (NFI)

In the main, across the SLGP, arrangements have consistently been assessed as adequate by External Auditors with the only improvement area being around the development of a formal strategy for prioritising matches. In one area, it had also previously been highlighted that whilst data had been uploaded timeously, improvements were required in the timeous investigation of resulting matches. Action has been taken by the Authority to address this issue and External Audit have acknowledged the work in progress to implement improvements within internal processes.

As a Group, we have also observed that the delivery of data for upload, and more particularly for the resulting investigation of matches, is resource intensive, with Authorities referring specifically to the impact of resources being transferred to the DWP's Fraud and Error Service (FES) and the Authority's residual ability to service the demands of the NFI process.

Notwithstanding this challenge, each of the SLGP Authorities consider their current arrangements to be adequate to facilitate delivery of the NFI exercise within their own local authority area.

Comments on the National Fraud Initiative

The SLGP are of the opinion that the NFI exercise remains an effective and efficient data-matching service although, through time, the benefits of the NFI exercise are being impacted by the level of other pro-active work being undertaken by local authorities to address fraud. Given Authorities are approaching corporate fraud in new ways, it would be helpful if the NFI report could also recognise the outcomes from this additional corporate fraud work.

In addition to the impact on resources detailed above, the efficiency of the process has also been affected by the new fraud investigation arrangements with FES in relation to the investigation of benefit fraud with the burden of sifting and referring cases to FES along with the gathering of relevant evidence still resting with the Local Authority.

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The SLGP, however, as a Group remain committed to the process and recognise that, as Authorities re-structure, there will be a need to identify new resources to investigate resulting matches. Extensive online training is provided on the NFI website and this will be used to ensure that those involved in the exercise are appropriately trained.

For each of the Authorities within SLGP, the areas deriving the most significant number of matches vary, although common to all is benefit matches.

Phasing and timing issues are noted across the Group and reviewing the timing of releases to avoid, for example, the annual billing exercise for Council Tax would be welcomed along with developing more regular data-matching in some areas to ensure data is current. The time delay between upload and release of matches reduces the currency of some matches and it is suggested, if managed in a more phased manner, more frequent data upload and matches would allow potential frauds to be addressed earlier and ease the administrative and investigative burden.

It is also suggested that areas for further consideration could be exploring the benefits of a national advertising campaign to increase public awareness and act as a deterrent and extending data sets to include, for example, Her Majesty's Revenue and Customs (HMRC) data albeit it is accepted that legislative changes may be required.

In summary, the NFI exercise is a valued resource that is welcomed by the SLGP which has, over time, delivered significant outcomes but, in turn, has required significant resources. It is recognised that the cross-Authority check is of great value and it is only the NFI exercise that offers this facility.

Wok local authorities are taking to strengthen their arrangements and to ensure that they can benefit from the valuable work undertaken as part of the National Fraud Initiative to minimise fraud and error across the public sector

The SLGP recognise the NFI data base as a valuable resource to assist in tackling fraud with one SLGP authority exploring the use of the Appcheck application verification system. Additional NFI functionality would be explored by other Authorities but the cost of this remains a material consideration.

Arrangements are reviewed in some Authorities using the NFI checklist supplied and also through the consideration and actioning of recommendations made by Audit Scotland within their NFI report to ensure that the required improvements are made to the process at a local level, year on year.

Each Authority's approach to the investigation of corporate fraud varies but across all of the SLGP, there is a commitment to adequately resource the NFI exercise and use the data to identify trends and patterns in fraudulent practice that require to be explored further either through internal review or as part of a fraud investigation.

To evidence this commitment, the SLGP routinely present reports on the NFI exercise to their own corporate management teams and audit committees to ensure appropriate challenge and scrutiny of these activities and outcomes at a local level.

I trust this feedback is of some assistance but would be happy to provide further information on behalf of SLGP if required.

Yours sincerely



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