

National Fraud Initiative in Scotland

Self-appraisal checklist



Background

- 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.
- 2.** The NFI is an integral part of counter-fraud governance arrangements across the public sector and is referenced in corporate governance codes and annual governance statements as an example of proactive action to detect and prevent fraud.
- 3.** Almost all public sector bodies who have auditors appointed by the Auditor General and Accounts Commission are mandated to take part in the biennial exercise. The exceptions are very small bodies. Details of those mandated to participate can be found [here](#).
- 4.** In addition to the audited bodies mandated to participate in the exercise, wider public sector bodies (outwith the Audit Scotland family of audit appointments) may be invited to participate on a voluntary basis.
- 5.** More information about the NFI is available on our [counter-fraud hub](#).

Self-appraisal checklist

- 6.** We encourage all participating bodies to use the checklist to self-appraise their involvement in the NFI prior to and during the NFI exercises.
 - [Part A](#) is designed to assist audit committee members (or equivalent) when reviewing, seeking assurance over, or challenging the effectiveness of their body's participation in the NFI.
 - [Part B](#) is for staff involved in planning and managing the NFI exercise.

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 and have we taken appropriate preventative and detective action?			
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?			
3. 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?			
4. Does our Key Contact have sufficient authority and time to ensure that NFI is delivered effectively?			
5. 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?			
6. Are NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?			
7. 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?			
8. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?			
9. Do we review how frauds and errors arose and use this information to improve our internal controls?			
10. Do we need and have access to fraud investigation officers to enable frauds to be followed up fully?			
11. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?			

Part B: For 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 and taken appropriate preventative and detective action?			
2. Are we investing sufficient resources in the NFI exercise?			
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.			
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?			
5. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?			
6. Do we plan to provide all NFI data on time using the secure data file upload facility properly?			
Effective follow up of matches			
7. Do all departments involved in NFI start the follow up of matches promptly after they become available?			
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?			
9. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?			
10. Are we drawing appropriately (in health bodies) on the help and expertise available from NHS Scotland Counter Fraud Service?			
Cont.			

Part B: For NFI Key Contacts and users	Yes/no/partly	Is action required?	Who by and when?
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?			
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?			
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?			
14. Overall, are we deploying appropriate resources on managing the NFI exercise?			
Recording and reporting			
15. Are we recording outcomes properly in the secure website and keeping it up to date?			
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)?			
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?			

Suggestions for improving efficiency and effectiveness

7. 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.

Area	How to work more efficiently
Use the NFI software efficiently	Ensure staff involved 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.
Act upon the matches that are time critical, to identify overpayments at an early stage	Key Contacts should schedule staff resources so that time critical matches, such as housing benefit to students, can be dealt with as soon as they are received.
Coordinate investigations across internal departments to avoid 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.
Only spend time looking at matches that meet local fraud risks	<p>Use the tools within the web application, such as the filter and sort options or data analysis software, to help prioritise matches that you deem the highest risk.</p> <p>You should also look back to see which reports in a previous exercise gave you outcomes.</p> <p>This will save time and free up staff for the most important investigations.</p>
Respond to enquiries from other organisations that take part in the NFI promptly	The web application shows the number of shared comments which require a response (Outstanding Actions). These responses should be prioritised if they relate to an ongoing investigation so that it can be progressed promptly.
Address data quality issues highlighted within the web application Data Quality Module 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.
Prioritise employee fraud recovery and the use of civil sanctions	Develop capability and capacity to punish fraudsters, ensuring that investigations are not abandoned if the individual resigns, leaves the property etc. Seek, through collaborating with law enforcement and the courts, the recovery of defrauded funds.

Source: Adapted from the Cabinet Office NFI web app